TransCanada PipeLines

Annual Report 1980

THE COMPANY

TransCanada PipeLines with assets of $3.4 billion owns and operates the only gas pipeline extending from Alberta to eastern Canada, and also owns a half interest in the Great Lakes Gas Transmission Company pipeline extending from Manitoba through the states of Minnesota, Wisconsin and Michigan to Ontario. The Company has a major interest in the Northern Border pipeline project extending from the international boundary through North Dakota, South Dakota, Minnesota, Iowa, and Illinois, and is also a partner in the Alaska segment of the Alaska Highway Pipeline project. TransCanada also participates in oil and gas exploration and production in western Canada and the United States, holding a net working interest of 1.3 million acres in prospective and producing lands.

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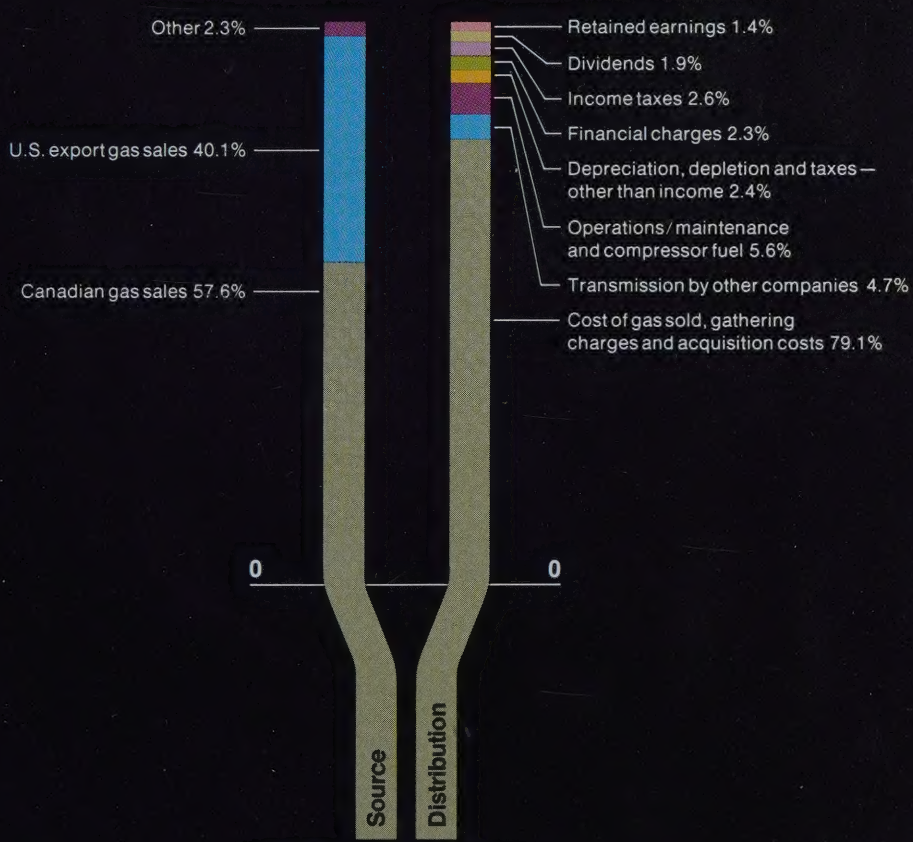
A pipeline worker signalling to the side boom operator during the lowering in operation.

HIGHLIGHTS

	1980	1979
Operations	**($000)**	($000)
Operating revenues	**3,143,382**	2,580,972
Net income	**102,460**	94,010
Funds provided from operations	**255,536**	204,843
Dividends declared		
Preferred shares	**9,762**	6,813
Common shares	**49,985**	46,890
Common share statistics		
Net income		
Basic	**$ 2.18**	$ 2.16
Fully diluted	**2.18**	2.14
Funds provided from operations	**5.98**	5.07
Dividends declared	**1.16**	1.16
Plant, property and equipment (gross)	**($000)**	($000)
Gas transmission plant	**1,929,187**	1,811,490
Oil and gas properties	**555,037**	317,040
Gas delivered for sales and transportation (millions of cubic metres)		
Annual volume	**31 798**	33 852



1980 Revenue dollars

John M. Beddome, Chairman.

TO OUR SHAREHOLDERS

For the Canadian natural gas industry as a whole, 1980 was a difficult year. There was a general business recession in Canada and the United States. There were also uncertainties as to national energy policies in both countries. Some differences arose over the amount and timing of increases in export prices for natural gas. Conservation of energy was increasingly effective. All of these factors contributed to lower total sales of Canadian natural gas during the year.

1980 Results

During the year, TransCanada PipeLines continued its growth, and at the end of the year had moved further towards its objective of becoming a broadly diversified Company with large energy interests in both Canada and the United States. Compared to 1979, 1980 earnings increased 9% to $102,460,000 while cash flow increased 24.7% to $255,536,000 during 1980. There was a 5.9% increase in the average number of common shares outstanding during the year. Earnings per share increased to $2.18 compared to $2.16 per share for 1979, and cash flow increased to $5.98 per share compared to $5.07 per share for 1979. Dividends were maintained at the rate of $1.16 per common share during the year. Notwithstanding delays that deferred expenditures into 1981 on several approved projects, total capital investments were $366 million as compared to $374 million in 1979.

Canadian Developments

In Canada, where its major investments were made, the Company added substantially to its interest in oil and gas lands in western Canada and increased the capacity of its Canadian pipeline facilities. During 1980 the Company also arranged to acquire an interest in the Saskatchewan portion of the Alaska Highway Pipeline project. The Trans Québec & Maritimes Pipeline joint venture which proposes to build a pipeline from Montreal east to Quebec City and the Maritime provinces continued to hire staff, acquire rights-of-way, order materials and secure regulatory approvals in 1980 in order to commence construction in 1981.

United States Developments

In the United States TransCanada acquired an interest in oil and gas lands in 18 states, and also acquired substantial interests in the portions of the Alaska Highway pipeline project to be built in Alaska and the midwestern United States. Not only will the United States pipeline projects provide the Company with increased revenues but they will help assure completion of the Alaska Highway Pipeline project in accordance with Canadian government policy.

Gas Supply

The Company's gas supply position remains very strong. The Company concluded new arrangements with its producers in 1980 which will substantially reduce the Company's "take or pay" obligations for the years 1981 and 1982.

Pipeline Operations

The marketing of natural gas was given a high priority. The vastly increased rate of conversion to natural gas for residential and commercial heating in Canada continued but selling large new volumes of natural gas for industrial use remained a problem due to a continuing oversupply of heavy fuel oil. Imported coal also remained competitive in industrial markets. The Company continued its studies of market areas in Canada not now served by natural gas and intends to expand in these areas wherever it is feasible to do so. Facilities approvals and sales contracts secured by TransCanada in 1980 have laid the foundation for a large expansion in TransCanada's pipeline system and natural gas sales in the future.

The regulatory atmosphere in Canada with respect to TransCanada's pipeline operations remained satisfactory at both federal and provincial levels in 1980.

Financing

In 1980 TransCanada raised a total of $900 million during the year through the sale of Company securities and issues of long-term debt. The Company entered the European financial markets for the first time in 1980, and increased its borrowings in these markets in early 1981. Company borrowings in North American and European markets may reach $800 million in 1981.

Amendments of TransCanada's Deed of Trust and Mortgage were accomplished during 1980 and will enhance TransCanada's ability to continue to diversify as opportunities occur. Amendments will also be sought to various debenture indentures.

1981 Activities

The Company is seeking approvals for major increases in the capacity of its Canadian pipeline system. Construction of new transmission facilities by the Company and its partner in the province of Quebec will commence in 1981. Completion of natural gas facilities as far as Halifax, Nova Scotia, now seems assured because of indicated federal government support. TransCanada has also applied to build a regasification plant in eastern Canada to receive liquefied natural gas from the Arctic in the mid-1980's. The Company will be continuing its active participation in oil and gas exploration programs, with the major part of its exploration activities taking place in Canada.

Effect of National Energy Program

The energy policies announced by the Government of Canada in late October 1980 will increase the conversion to natural gas from other fuels in Canada.

The Company's oil and gas exploration programs will continue as planned in 1981. Action by Dome Petroleum Limited to transfer half of its investment in TransCanada to a new Canadian company and changes in originally proposed regulations will result in TransCanada qualifying for the maximum incentive grants proposed under the National Energy Program. New opportunities will become open to the Company, because of its high percentage of Canadian ownership, to participate in frontier and other exploration programs.

Future Corporate Growth

The Board of Directors of TransCanada PipeLines views the next ten years with confidence. The Company will continue to expand its interest in energy transportation systems and its interests in oil and gas exploration in both Canada and the United States. TransCanada will also participate in other energy projects as opportunities arise, and will actively seek investment opportunities which will assist the growth of Company assets and earnings and benefit its shareholders. The Company expects to enter the last decade of this century as one of Canada's largest energy and transportation companies.

A substantial reorganization took place within the Company in 1980 to reflect the changing nature of Company operations. Details are set out on page 5 of the Report.

On your behalf we would like to express our thanks again to our employees for their many accomplishments in 1980. Their skill and loyalty in a year of many challenges enabled our corporate objectives to be accomplished.

On behalf of the Board.

John Baddam | R Latimer

Chairman | President and Chief Executive Officer

Toronto, Canada, February 27, 1981

Radcliffe R. Latimer,
President and Chief Executive Officer.

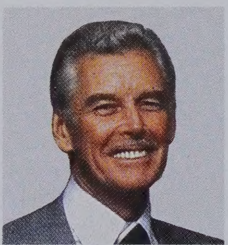
DIRECTORS AND OFFICERS

John M. Beddome
Chairman of TransCanada PipeLines and Senior Vice-President, Dome Petroleum Limited, Calgary

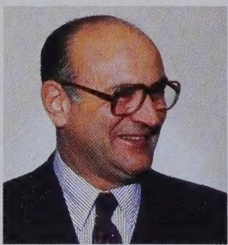
James M. Cameron
Executive Vice President, Corporate, TransCanada PipeLines, Toronto

John H. C. Clarry, Q.C.
Messrs. McCarthy & McCarthy, Toronto

John H. Coleman
President, J. H. C. Associates Limited, Toronto



John P. Gallagher
Chairman and Chief Executive, Dome Petroleum Limited, Calgary



A. Jean de Grandpré, Q.C.
Chairman and Chief Executive Officer
Bell Canada, Montreal

Russell E. Harrison
Chairman and Chief Executive Officer
Canadian Imperial Bank of Commerce, Toronto

Robert H. Jones
President and Chief Executive Officer
The Investors Group, Winnipeg

James W. Kerr
Consultant to the Company and Company Director, Toronto

Radcliffe R. Latimer
President and Chief Executive Officer, TransCanada PipeLines, Toronto

Gordon P. Osler
Chairman
Stanton Pipes Limited, Toronto

Herbert C. Pinder
President
Saskatoon Trading Company Limited, Saskatoon

Smiley Raborn, Jr.
Petroleum Consultant, Calgary

William E. Richards
President
Dome Petroleum Limited, Calgary

Frank A. Schultz
Independent Oil Operator, Dallas

George W. Woods
Vice Chairman and Chief Operating Officer
TransCanada PipeLines, Toronto

Officers

John M. Beddome
Chairman

Radcliffe R. Latimer
President and Chief Executive Officer

George W. Woods, F.C.A.
Vice Chairman and Chief Operating Officer

James M. Cameron
Executive Vice President, Corporate

C. Kennedy Orr, C.A.
Senior Vice President, Alberta

Richard D. Walker, P.Eng.
Senior Vice President, Marketing

John K. Archambault
Vice President

George C. Britton, P.Eng.
Vice President, Project Development

Bruce M. Escoffery, P.Eng.
Vice President, Rates

George M. Hugh, P.Eng.
Vice President, Engineering and Operations

Gordon A. Leslie, P.Geol.
Vice President

Robert T. Liddle, P.Geol.
Vice President, Operations and Special Projects

H. Neil Nichols, R.I.A.
Vice President, Finance and Treasurer

Raymond F. Sim, C.A.
Vice President, Planning and Budgeting

Kenneth G. Whiteside, C.A.
Vice President, Accounting and Control

Arthur A. Wilkins, P.Geol.
Vice President, Gas Supply

Donald M. Johnston
Corporate Secretary

Stringing operation with pipe being lifted off a flat bed in preparation for bending and welding.

ORGANIZATION

A restructuring of TransCanada PipeLines into three major divisions took place in 1980, reflecting the Company's desire to diversify its operations to meet the opportunities of the 1980's and at the same time to keep the Company abreast of the rapid growth in the transmission industry.

The new Divisions created were Alberta, Pipeline, and Oil and Gas. Also created under the restructuring was a Corporate Staff Organization, which will provide direction and support for the Divisions. A separate function of Finance and Treasury was also established.

The Pipeline Division is responsible for the operation of the utility outside the province of Alberta and is headed by Mr. G. W. Woods, Vice Chairman and Chief Operating Officer. Mr. R. D. Walker was appointed Senior Vice President, Marketing, responsible for Sales, Forecasting and Energy Projects.

The Alberta Division is responsible for all Company activity in that province, with the exception of TCPL Resources, and is directed by Mr. C. K. Orr, Senior Vice President, Alberta.

TCPL Resources is responsible for the Company's investment in oil and gas exploration, development and production. Its headquarters are in Calgary under the direction of Mr. G. A. Leslie, Vice President and General Manager.

The Corporate staff is directed by Mr. J. M. Cameron, who was named Executive Vice President, Corporate. Reporting to Mr. Cameron are the functions of Legal and Regulatory, Planning and Budgeting, Public Affairs and Accounting and Control.

Mr. H. N. Nichols was appointed Vice President, Finance and Treasurer.

TransCanada PipeLine Alaska Ltd.
Northwest Alaskan Pipeline Project
7% Ownership

TCPL Resources Ltd.
Oil & Gas Lands
12½% Ownership

Foothills PipeLines Yukon Ltd.

Foothills PipeLines Sask. Ltd.

Northern Border Pipeline Co.
Phase 1 — 30% Ownership
Phase 2 — 17½% Ownership

TransCanada PipeLines Limited
100% Ownership

Great Lakes Gas Transmission Company
50% Ownership

Trans Québec & Maritimes Pipeline Inc.
50% Ownership

TCPL Resources U.S.A. Ltd.
Oil and Gas Lands
17⅓% Ownership
18 States

Connecting system

CONVERSION FROM METRIC

TransCanada reports its operations in the International System of Units (SI). To convert the metric terms shown in this report to the English system of units, the following list of simplified, approximate conversion factors is given:

To Convert	To	Multiply by
thousands of cubic metres	Mcf	35.3
millions of cubic metres	MMcf	35.3
billions of cubic metres	Bcf	35.3
kilometres	miles	0.62
millimetres	inches	0.04
gigajoules	MMBtu	0.95
kilowatts	H.P.	1.34
kilopascals	psi	0.15

CANADIAN OPERATIONS

ALBERTA DIVISION

The Alberta Division of TransCanada PipeLines is concerned with purchasing natural gas from over 600 producers under 2,300 gas purchase contracts. It arranges for the gas purchased by the Company to be transported to the Company's pipeline facilities near Burstall, Saskatchewan, and schedules the volumes of gas to be delivered by each producer.

Company Reserves

As at December 31, 1980 the Company had under gas purchase contracts approximately 1 320 billion cubic metres of initial marketable gas reserves in western Canada, of which approximately 470 billion cubic metres had been produced. This leaves the remaining marketable reserves at 850 billion cubic metres. Production for the twelve months ending December 31, 1980 under all Company contracts was 35.4 billion cubic metres.

During the past three years the Company has not signed any new gas purchase contracts except, in the interests of oil conservation, for minor quantities of solution gas. However estimates of reserves remaining on lands covered by existing contracts have increased by 75 billion cubic metres during such period because of drilling on lands contracted to the Company.

In excess of 99% of the remaining contracted reserves are in Alberta, with the balance in Saskatchewan.

Natural Gas Trends

In August, 1980 the Alberta Energy Resources Conservation Board calculated the 1979 growth in Alberta gas reserves to be 123.2 billion cubic metres, an increase of 23% over the average annual reserve growth rate of 100 billion cubic metres for the past ten years. In 1980 the gas industry increased its exploration and development drilling in Alberta by approximately 25% from that in 1979 and, as a result, the 1980 growth in reserves is expected to be greater than the growth in 1979.

The Company anticipates a reduction in drilling activity as a result of the National Energy Program and the current limited market for gas. As a consequence of the reduced drilling activity, the Company recognizes the possibility of a decline in the high average rate of growth of remaining reserves established during the period 1978 to 1980. It is anticipated that by 1984 drilling activity will return to 1980 levels as a result of the attachment of new domestic and export markets.

Natural Gas Market Allocation Program

Substantially all gas purchase contracts entered into by TransCanada have provisions requiring payments by the Company when it does not nominate specified minimum quantities of gas for delivery and, as the contracted supply has exceeded the available market in recent years, payments have been required. For each year of the three year period commencing November 1, 1977 and ending October 31, 1980 the Company, with the producers' concurrence, implemented a program under which all producers were allocated an equitable share of TransCanada's available market.

In August, 1980 the Company submitted a proposal to its producers to extend the allocation program to cover the contract years ending October 31, 1981 and

1982. In October, 1980 the Company advised its producers that sufficient acceptances of the proposal had been received to implement the extended program. Such program provides for modifications to the existing allocation program and, in addition, provides for the deferral of 20% of the Company's annual purchase obligations under its gas purchase contracts for the two aforementioned contract years (the deferred gas). The extended program also provides that the Company will take delivery of deferred gas and gas paid for but not taken on an equal basis over a period currently extending for at least ten years.

PIPELINE DIVISION

The Pipeline Division of TransCanada PipeLines is responsible for transporting natural gas owned by the Company and others across the provinces of Saskatchewan, Manitoba, Ontario and into Quebec for delivery to natural gas distributors in Canada and to connecting pipelines in the United States. The Pipeline Division supervises the design and construction of new facilities and the maintenance and day-to-day operation of all facilities. It is responsible for securing government approval for the construction of facilities and of rates to be charged for transportation, and for marketing gas in Canadian and export markets.

MARKETING

1980 Operations

In keeping with its commitment to pursue markets aggressively, the Company in mid 1980 integrated its Rates, Sales and Energy Studies functions into the Marketing Department. Substantial marketing efforts in 1980 will in the long run help stimulate gas exploration in western Canada and the frontier areas.

Sales and Transportation — Canadian

In 1980, the Company's total Canadian sales and transportation volumes were 3.9% lower than in 1979.

The reduction in Canadian volumes was caused by a sluggish Canadian economy together with the effects of conservation and a warmer than normal winter. The continuing high level of conversion from oil to natural gas in the residential market assisted to some degree in offsetting negative market factors.

Marketing Plans

In 1980 a lateral constructed by the Company in co-operation with one of its distributor customers commenced service to the communities of Thorne, Ontario and Temiskaming in Quebec. Natural gas service also commenced during the year to the communities of Ignace and Burk's Falls, Ontario.

The Company is working closely with Canadian distribution customers on plans for extensions to several areas in Manitoba and Ontario which should further assist in marketing the present surplus of natural gas.

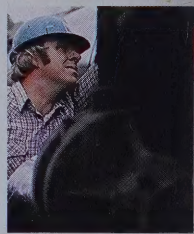
A proposed large-diameter pipeline to be constructed from North Bay to Morrisburg, Ontario, as part of the extension of natural gas service to Quebec and the Maritimes will provide service to Mattawa, Deep River, Chalk River, Stittsville and Kemptville, Ontario. Nearly 100 additional communities in Quebec, New Brunswick and Nova Scotia will receive natural gas service upon completion of the Trans Québec & Maritimes pipeline facilities.

Export Sales

In 1980 export sales to the United States decreased by 15.5% compared to 1979.

The reduced export sales were brought about by a combination of factors including an economic slow down, export prices fixed at a higher level than the






Top: surveyor takes a reading. Second: removing a lifting belt from the pipeline. Third: putting a new roll of tape on the taping machine. Above: inspecting a pipe prior to taping.
At right: Tembec Paper Mill, Temiskaming, Quebec, a new customer for natural gas.

price of United States gas in the marketplace, competition from alternate fuels and the increased supply of indigenous natural gas in the United States. While total export sales were down, there was an improvement in short-term interruptible sales with 873 million cubic metres exported in 1980. Canadian and U.S. authorizations have been received to continue the interruptible sales until October 31, 1981.

Transportation of volumes by the Company of authorized exports by other companies increased in 1980 over 1979 and a further increase in transportation volumes is expected in 1981. Subject to obtaining the necessary regulatory approvals in Canada and the United States there will be substantial increases in volumes exported commencing in 1982 under new export contracts negotiated by the Company during 1980 as follows:

- A natural gas contract was signed in October, 1980 with Boundary Gas Inc., a company representing fourteen north eastern United States gas utilities. Boundary Gas will purchase from the Company a maximum of 1 913 million cubic metres of natural gas per year for 10 years.

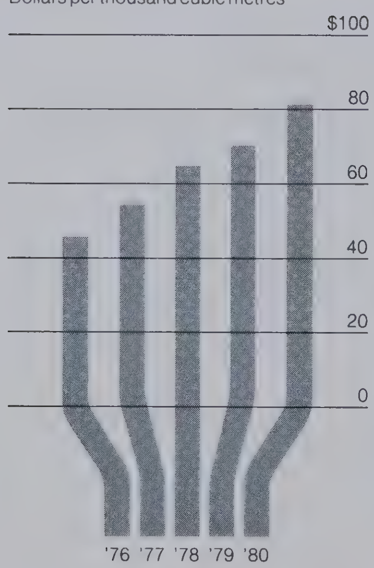
- The Company has entered into two contracts with Tennessee Gas Pipeline Company; one contract provides for sale and delivery of 1 033 million cubic metres of gas per year for an initial term of ten years. The other contract provides for a ten year natural gas export covering the sale and delivery of 2 086 million cubic metres of gas per year.

- Agreements have been entered into with two U.S. companies — Natural Gas Pipeline Company and Michigan Wisconsin Pipe Line Company — under which the Company will sell and deliver 1 033 million cubic metres of natural gas per year to each for a ten year period.

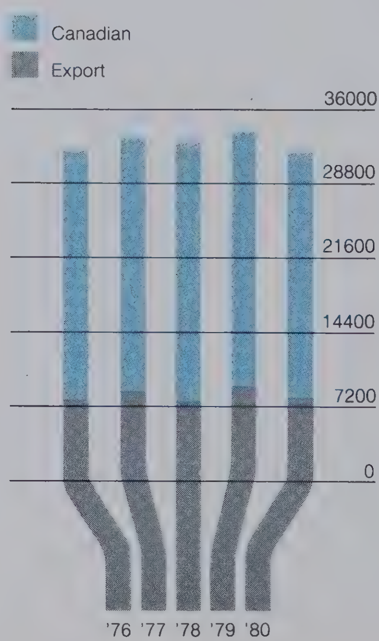
- A contract has been signed between the Company and Transcontinental Gas Pipe Line Corporation which contemplates the sale and delivery by the Company of 3 102 million cubic metres of gas per year over a ten year term. Other Canadian and U.S. companies will also be included in storage and transportation services related to this sale.

The Company's successful activities in supporting the Northern Border pipeline project, reported in detail under "United States Operations" will be a significant achievement in terms of marketing commencing in 1982.

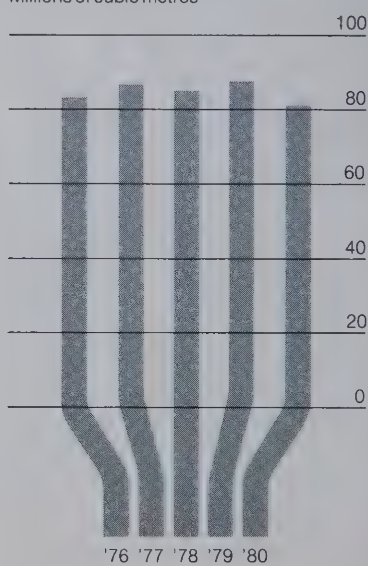
Average price Canadian sales
Dollars per thousand cubic metres



Gas delivered for sales and transportation
Millions of cubic metres



Average daily sales
Millions of cubic metres



RATES

Canadian Wholesale Prices

During most of 1980 the price at which natural gas was to be sold to natural gas distributors was established by agreement between the governments of Canada and Alberta. Since November 1, 1980 the wholesale price has been set by the Federal Government acting alone under the special provisions of the Petroleum Administration Act. The wholesale price of natural gas is now approximately 80% of the cost of crude oil at Toronto. Under the National Energy Program the wholesale price will be identical over the eastern rate zone which will be extended as far as Halifax. The domestic price of natural gas will become increasingly competitive with oil, and export pricing of natural gas is expected to enable Canadian gas to compete in United States markets.

Alberta Wellhead Prices

The price paid to producers by the Company is calculated in two steps. First the cost of transportation from the Alberta border as determined by the National Energy Board is deducted from the price prescribed by the federal government in order to determine the "Imputed Alberta Border Price". In the second step, the Alberta cost of service is deducted from the Imputed Alberta Border Price and a "price adjustment" for export sales is added to determine the price paid to the producer. The Alberta cost of service and the price adjustment are set monthly by the Alberta Petroleum Marketing Commission.

Export Prices

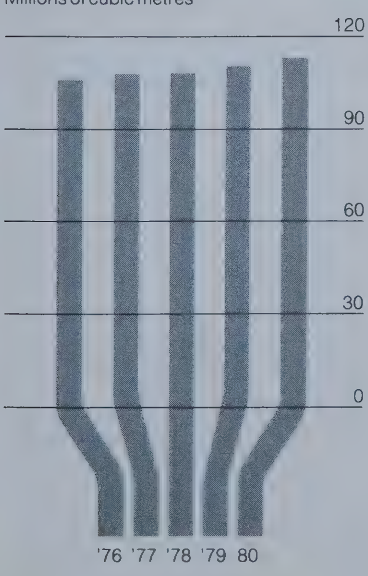
The sales price for all gas exported from Canada by the Company is set by the Government of Canada. The price adjustment used in determining the price paid producers is a pro rata distribution of the export differential among all natural gas producers in Alberta in accordance with their respective share of Alberta production. This export differential is the difference between the export sale price and the sum of the Imputed Alberta Border Price and the cost of transportation to the international boundary.

Rate Regulation

The National Energy Board adjusted the Company's utility cost of service effective September 1, 1980. The Board found a rate of return on rate base of 11.1% per annum (an increase from 10.9%) to be just and reasonable and allowed recovery of increased operating costs. The Company applied in February, 1981 for the recovery of increased costs, and an increase in rate of return.

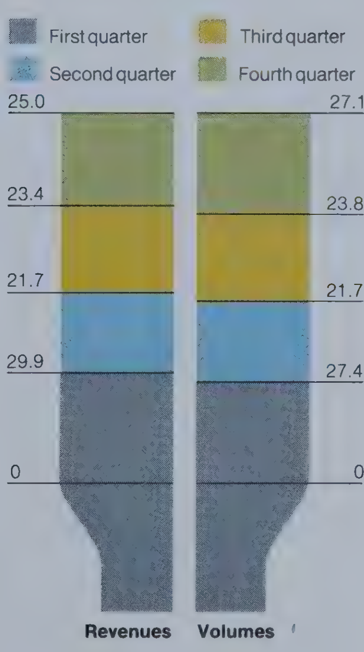
Maximum day gas delivered for sales and transportation

Millions of cubic metres



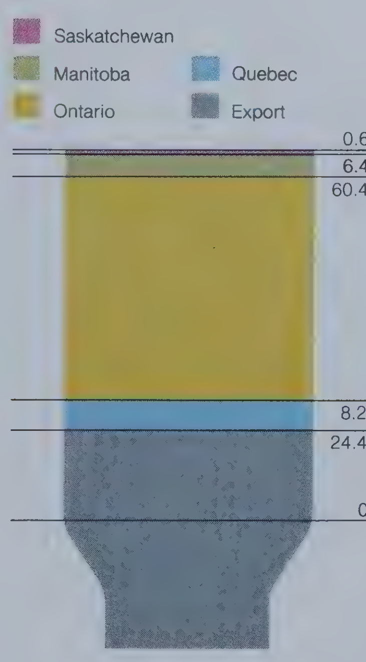
Distribution of sales revenues and volumes

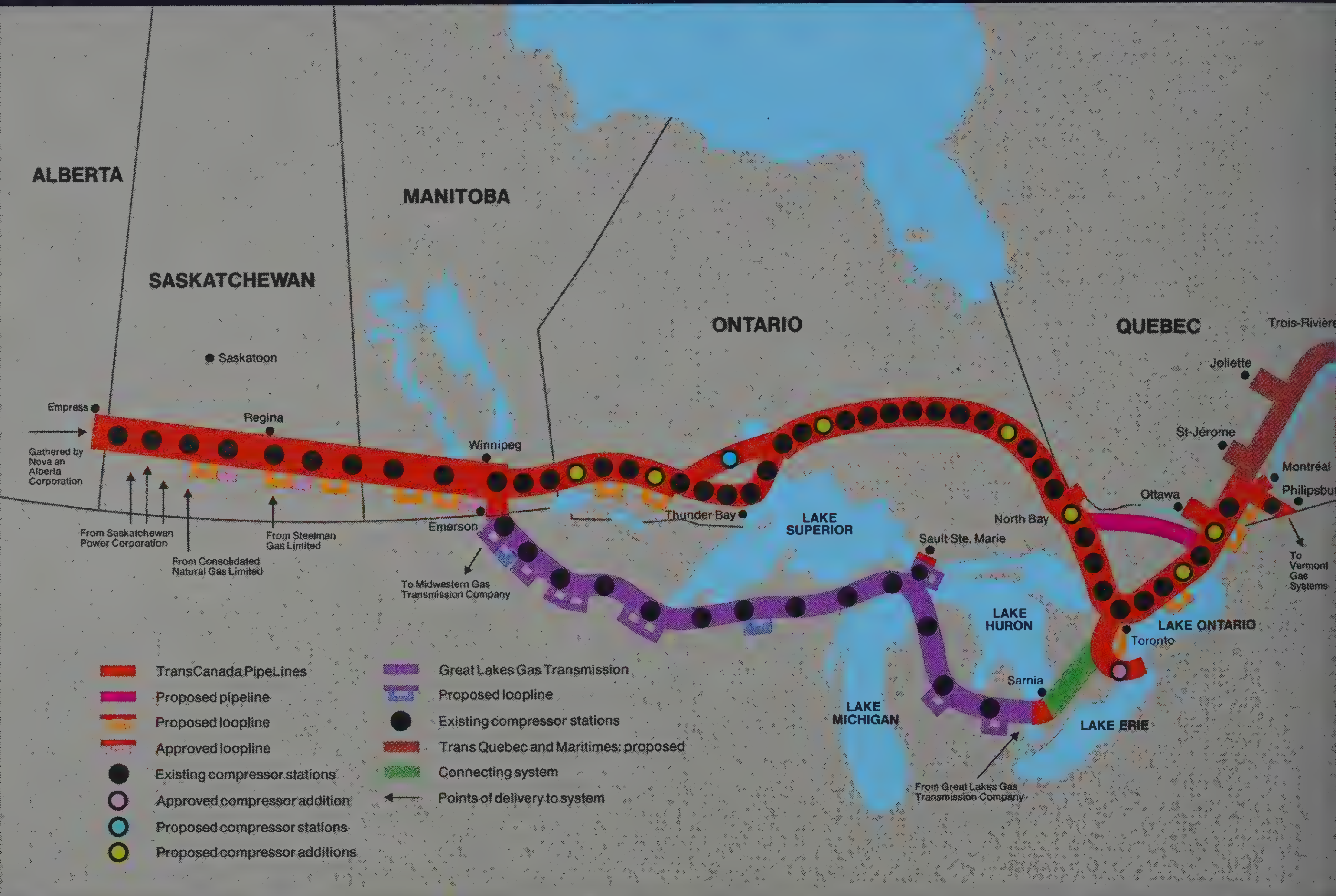
Percentage by calendar quarter



Where the gas was sold in 1980

Percentage of volumes sales





Annual Gas Sales and Transportation Volumes
(in Thousands of cubic metres)

Sales	1980	1979	1978	1977	1976
Saskatchewan Power Corporation	**166 706**	444 824	514 967	550 655	182 402
Plains-Western Gas (Manitoba) Ltd.	**251 994**	260 014	246 252	240 991	236 966
Inter-City Gas Limited	**238 057**	250 637	236 324	232 031	219 225
Greater Winnipeg Gas	**1 413 725**	1 508 782	1 470 968	1 288 716	1 347 273
Northern & Central Gas Corporation Limited Ontario Division	**3 483 152**	3 546 983	3 465 416	3 474 161	3 419 462
The Consumers' Gas Company	**8 025 751**	8 151 365	8 821 619	8 847 078	8 711 481
Union Gas Limited	**6 407 173**	6 840 115	6 826 009	6 607 154	6 814 963
Kingston Public Utilities Commission	**79 813**	74 731	69 544	67 236	64 373
Gaz Metropolitain, inc.	**2 330 752**	2 220 273	2 127 757	1 895 441	1 893 393
Total Canadian	**22 397 123**	23 297 724	23 778 856	23 203 463	22 889 538
Michigan Wisconsin Pipe Line Company	**383 020**	516 986	516 983	516 983	518 400
Midwestern Gas Transmission Company	**3 713 995**	4 273 792	3 297 931	3 325 949	3 379 939
Great Lakes Gas Transmission Company	**2 663 417**	3 206 072	3 033 437	3 017 627	3 101 797
Inter-City Gas Limited	**169 441**	188 078	190 634	205 889	218 268
Niagara Gas Transmission Limited	**183 003**	186 033	176 516	168 704	156 843
Vermont Gas Systems, Inc.	**119 566**	128 740	119 644	120 771	115 173
Additional Exports	**—**	60 174	—	903 635	—
Total U.S. Export	**7 232 442**	8 559 875	7 335 145	8 259 558	7 490 420
Total Sales	**29 629 565**	31 857 599	31 114 001	31 463 021	30 379 958
Transportation	**2 167 927**	1 994 348	1 693 994	1 690 258	1 573 324

ENGINEERING AND OPERATIONS

During 1980 the Pipeline Division was heavily involved in forward planning. The prospect of expanded natural gas sales in Canada and the United States will require a continuous expansion of the Company's pipeline system over the next several years. Planning and construction of major pipeline facilities must be commenced 18 months to two years before the facilities are required.

The official federal government program of encouraging the expansion of the use of natural gas in Canada has made the timely construction of adequate transmission facilities absolutely vital. The prospect of large additional numbers of residential and commercial customers is also requiring the addition of higher peak daily delivery capability during the winter period as the market for natural gas increases. Greater advanced capability must be provided in gas transmission systems than in the past in order to take advantage of sales opportunities.

In 1980 a new peak day for delivery and transportation of 113 382 thousand cubic metres was established, up from 110 421 thousand cubic metres in 1979. Total annual volumes delivered for sale and transportation were 31 798 million cubic metres in 1980, down from 33 852 million cubic metres in 1979. The system operated very efficiently during 1980.

1980 Construction

During 1980 the Company invested $128,291,000 in additions and modifications of its gas transmission facilities. The program included construction of 33.1 kilometres of 914-millimetre diameter pipe, 10.2 kilometres of 323.9-millimetre diameter pipe, and 40.2 kilometres of 168.3-millimetre diameter pipe. The compression component of the construction program consisted of 105 000 kilowatts of additional compressor power at five existing stations in Saskatchewan and Manitoba, together with two 3 000 kilowatt compressor power additions to existing stations between Toronto and Montreal. These installations were scheduled for completion in 1981. The 1980 program was smaller than originally anticipated because of delays in approvals of import permits into the United States for volumes already approved for export from Canada.

Proposed 1981 Construction Programs

The National Energy Board has already approved the construction in 1981 of 103 kilometres of 1 219-millimetre diameter pipe and the addition of 3 000 kilowatts of new compression power. This 1981 construction program is required to deliver Canadian requirements and approved exports and will cost an estimated $150,000,000. It also includes pipeline replacements and relocations.

TransCanada has also applied to the National Energy Board for approval to construct in 1981 additional facilities estimated to cost $313 million. These facilities are required to deliver increased throughput requirements for the 1981-82 operating year and to provide some advanced capability to enable the Company to take advantage of marketing opportunities. Under the program a total of 357.4 additional kilometres of large diameter pipe will be installed in Saskatchewan, Manitoba, Ontario and Quebec, and an additional 114 000 kilowatts of compression power will be installed.

Construction for Eastern Expansion 1981-82

TransCanada has also filed an application with the NEB seeking approval to construct a 1 067-millimetre diameter pipeline from its compressor station at North Bay to connect to its existing pipeline at Morrisburg, Ontario, along a route that roughly parallels the Ottawa River. Construction of this facility will service the extension of natural gas supply to Quebec and the Maritime Provinces. This route will provide this service more economically than expanding the existing facilities between North Bay and Montreal. Subject to approval, the Company will install approximately 409 kilometres of pipe at an estimated cost of $371 million. Preliminary construction work involving clearing and grading of the right-of-way will commence in the fall of 1981 continuing through the winter. Pipe installation is planned for the summer of 1982 with completion by November 1, 1982.

TRANS QUEBEC & MARITIMES PIPELINE

TransCanada PipeLines owns half the shares of Trans Québec & Maritimes Pipeline Inc., which will construct a pipeline from the termination of the Company's facilities near Montreal to Trois Rivières and Quebec City and, subject to future regulatory approval, from Quebec City to New Brunswick and Nova Scotia communities as far east as Halifax.

In the spring of 1978, the Company and Q & M Pipe Lines Ltd., wholly-owned by NOVA, AN ALBERTA CORPORATION, both made applications with the National Energy Board (NEB) to extend natural gas service to eastern Canada. Hearings commenced in September, 1979 and were completed in January, 1980.

During the course of the hearings, on November 5, 1979, both applicants advised the NEB of their intention to form a joint venture in which they would participate equally, for the construction and operation of a natural gas pipeline system in Quebec and the Maritimes. According to the terms of the joint venture agreement, the certificates granted by the NEB are to be assigned to a new Montreal-based company, Trans Québec & Maritimes Pipeline Inc. (TQM).

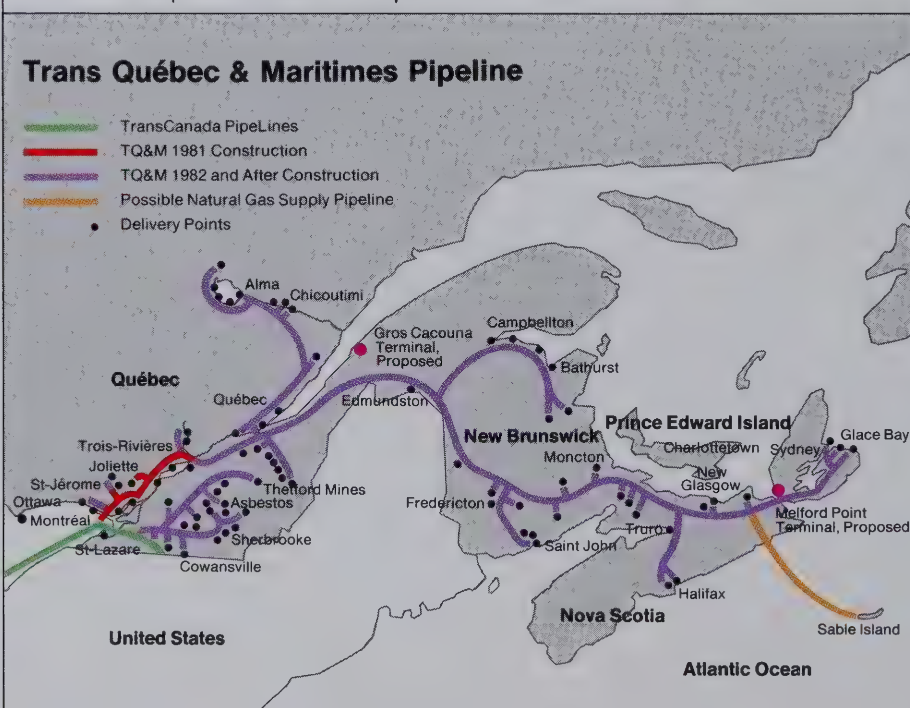
In May, 1980 the NEB approved the application for facilities to Quebec City and denied the application for facilities in the Maritime provinces.

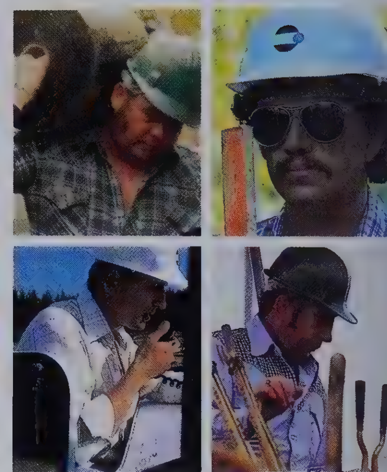
On October 28, 1980 the Government of Canada tabled before Parliament the National Energy Program and the Budget, of which natural gas service in the Maritimes is an important feature. The National Energy Program clearly indicates that the construction of the Maritimes facilities is in the public interest.

Construction of the facilities in Quebec will commence in 1981. Given timely regulatory approval, construction of facilities in the two Maritime provinces will commence in 1982, with service in Halifax now estimated in 1983.

The total TQM system will include approximately 3 286 kilometres of pipeline and nine compressor stations. There will be 1 214 kilometres of main line, ranging in outside diameter from 762 millimetres to 219.1 millimetres, and 2 072 kilometres of laterals and sublaterals, ranging in outside diameter from 508 millimetres to 114.3 millimetres. An underground storage facility is also planned, using salt caverns in southern New Brunswick to provide peak shaving service for the entire pipeline system.

The total capital cost of the transmission system to the year 1990, escalated to the year of expenditure, is estimated at $1.2 billion. Of this, about $600 million will be spent in Quebec, $400 million in New Brunswick, and $200 million in Nova Scotia. Estimated capital costs for the associated provincial distribution systems over the same period would be comparable to those for transmission.





Top left: worker carrying a roll of wrapping tape. Top right: foreman gives a visual pipe line-up check. Above left: giving orders. Above right: a side boom operator at the controls.

At right: pipeline being lowered into the East Humber River, near Toronto. Concrete saddle weights are used to prevent pipeline buoyancy.

SPECIAL PROJECTS

Arctic Pilot Project — LNG Receiving Plant

The Arctic Pilot Project Inc. is a consortium of Petro-Canada, Dome Petroleum, Nova and Melville Shipping. The Project would move natural gas from the Drake Field on Melville Island in the High Arctic to the south coast of the island by pipeline, where it will be liquefied and transferred to ice-breaking carriers. The carriers will bring the LNG south to the receiving terminal which TransCanada will construct, own and operate.

The Company has filed an application with the National Energy Board to construct the LNG receiving terminal at either Gros Cacouna, Quebec or Melford Point on the Strait of Canso, Nova Scotia.

Under the proposal the Company will purchase the LNG from the Arctic Pilot Project at the terminal, where it will be stored, regasified and transmitted through the Trans Québec & Maritimes Pipeline for sale to eastern Canadian distributors, displacing an equivalent volume of natural gas which would otherwise have been transported from Alberta to eastern Canada. If the proposal is approved, the displaced gas would be sold to the Arctic Pilot Project at Emerson, Manitoba and Niagara Falls, Ontario for export to United States.

The LNG receiving terminal, depending on regulatory approvals, will take four years to construct and will cost an estimated $200 million. Gas will be delivered from the terminal at an average daily rate of 6.3 million cubic metres.

The ultimate decision as to the plant location will be made by the National Energy Board. The Board is expected to hold public hearings on the Project during 1981.

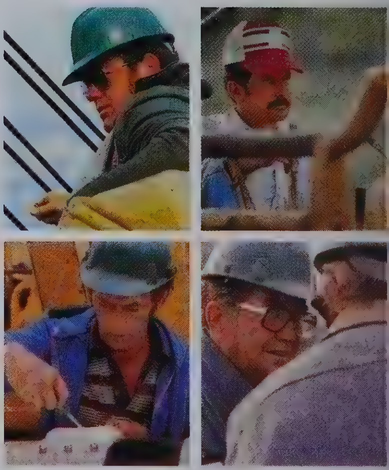
Arctic LNG

The Company continues to study its own project for moving natural gas from the Ellef Ringnes and King Christian Island regions in the form of LNG or methanol. Arctic ice-breaking vessels would deliver LNG or methanol to European or United States markets.

Polar Gas Project

The Polar Gas Project has planned a pipeline to transport natural gas from the Arctic Islands and the Mackenzie River Delta/Beaufort Sea areas to southern markets. TransCanada, in its role as Project Manager, has continued its support of the Polar Gas Project during the year.

In 1980 Polar Gas carried out additional studies of improved marine pipeline construction methods, terrain and soil investigations for land pipeline specific location, more detailed environmental and logistics planning, and updated capital and transportation costs. The technical and economic feasibility of the proposed system, achieved in 1979, was further confirmed in 1980.



Top left: side boom operator. Top right: bulldozer operator. Above left: attaching insulators to the pipe for a casing installation. Above right: discussing the operation.

At right: surveyors measure exact position of newly laid pipe prior to backfilling.

UNITED STATES OPERATIONS

GREAT LAKES GAS TRANSMISSION COMPANY (in U.S.$)

TransCanada PipeLines owns a fifty percent interest in Great Lakes Gas Transmission Company (Great Lakes), which operates a pipeline from the international boundary near Emerson, Manitoba, across the states of Minnesota, Wisconsin and Michigan, to points on the international border near Sault Ste. Marie and Sarnia, Ontario. The Great Lakes pipeline system consists of 1 998 kilometres of pipe and a total of 261 000 kilowatts installed at 14 compressor stations.

1980 Operations

Great Lakes' 1980 operations resulted in net income of $16,893,000. This net income compares with $18,708,000 in 1979. Great Lakes delivered for transportation or sale a total of 11.66 billion cubic metres of gas, of which 7.30 billion cubic metres, or 63% was redelivered to the Company for sale in eastern Canada, with the balance, 4.36 billion cubic metres, delivered to its customers in the United States.

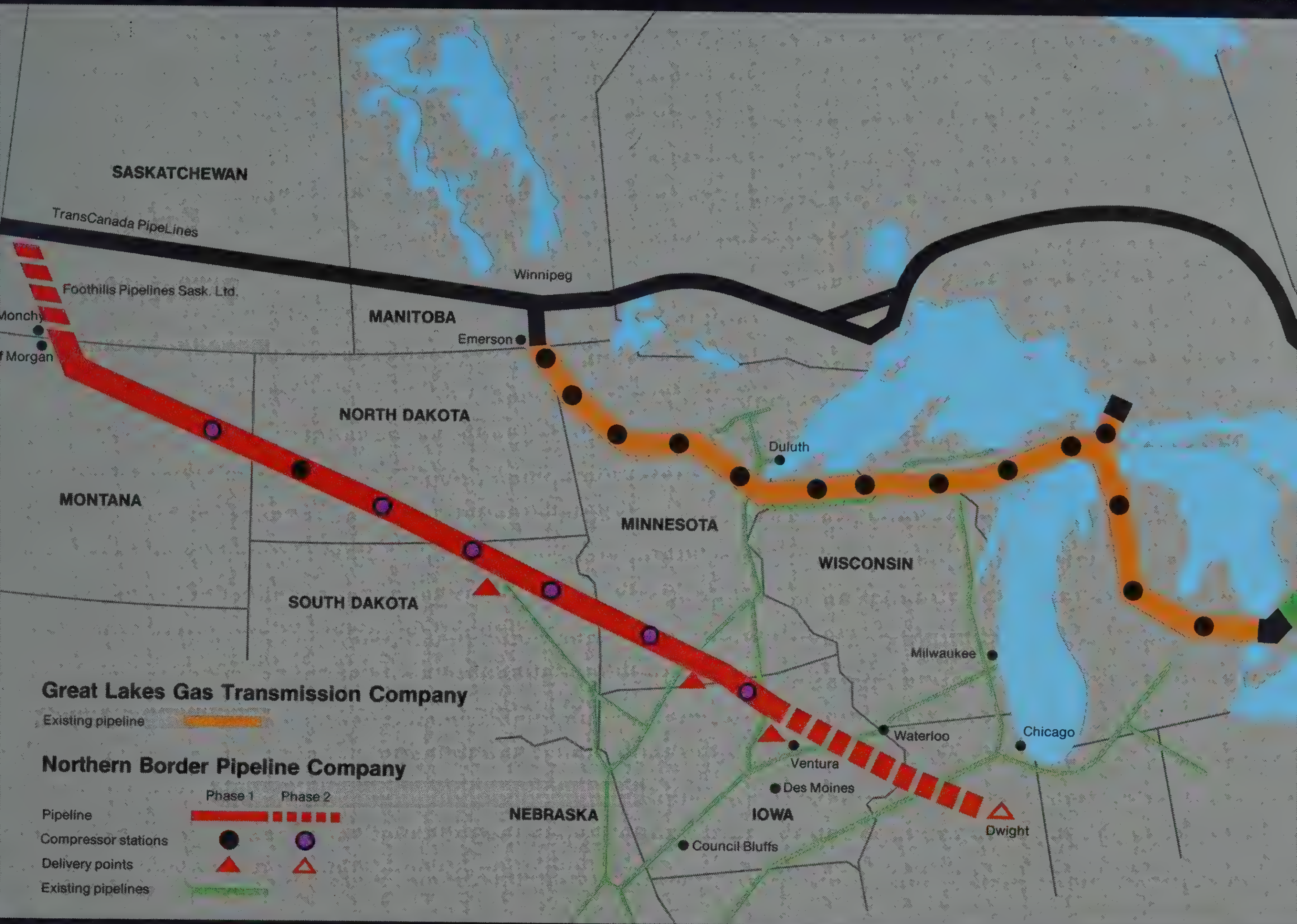
Dividends

In 1980 Great Lakes declared and paid dividends totalling $12,000,000.

Rates

During 1980, Great Lakes made refunds to its customers in compliance with an order of the Federal Energy Regulatory Commission (FERC) related to a November, 1978 rate application. Approximately $12,352,000 including interest was refunded for amounts collected in excess of approved rates.

In August, 1980, Great Lakes filed revised tariff schedules with the FERC which proposed increasing its rates to recover higher costs of service. The FERC has suspended the effective date of the new rates until March 1, 1981.



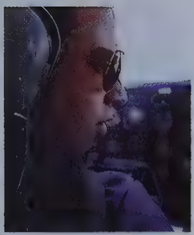
GREAT LAKES GAS TRANSMISSION COMPANY
(Thousands of United States Dollars)

Summary Balance Sheet

Assets	1980	1979
Plant, Property and Equipment	**426,502**	396,956
Less: Accumulated Depreciation	**141,256**	125,615
Net	**285,246**	271,341
Current Assets	**61,572**	78,262
Deferred Charges	**361**	313
	347,179	349,916
Shareholders' Equity & Liabilities		
Common Stock	**50,000**	50,000
Retained Earnings	**47,861**	42,968
Long Term Debt	**134,100**	140,700
Current Liabilities	**83,454**	96,885
Deferred Credits	**31,764**	19,363
	347,179	349,916

Summary Statement of Income and Retained Earnings

	1980	1979
Operating Revenues	**497,520**	373,229
Cost of Gas Purchased	**342,958**	243,809
Operating Expenses	**100,845**	70,159
Depreciation and Amortization	**16,492**	15,686
Income Taxes	**11,609**	14,398
Investment Tax Credit	**(2,967)**	(2,211)
Interest (net)	**11,690**	12,680
	480,627	354,521
Net Income	**16,893**	18,708
Retained Earnings Beginning of Year	**42,968**	36,260
	59,861	54,968
Dividends Declared	**(12,000)**	(12,000)
Retained Earnings End of Year	**47,861**	42,968



Top: pilot at aircraft controls. Second: operating a wrapping machine. Third: worker engaged in hand-wrapping operation. Above: removing excess wrapping material.

At left: well drilling rig, located 70 miles north west of Calgary.

TRANSCANADA BORDER PIPELINE LTD.

Through its wholly-owned subsidiary, TransCanada Border PipeLine Ltd., the Company owns a 30% interest in the first phase of the Northern Border Project, and has the right to acquire at least 17½% of the second phase.

The Northern Border Project has received all approvals required to proceed with construction. The construction of the first phase commenced in 1980, and consists of approximately 1 325 kilometres of 1 067 millimetre pipeline extending from Monchy, Saskatchewan to a point near Ventura, Iowa. The second phase will consist of 496 kilometres from Ventura, Iowa to Dwight, Illinois.

The estimated cost of the first phase is $1.5 billion (U.S.). Debt financing of $1.055 billion (U.S.) has already been arranged with a consortium of Canadian and United States banks. It is estimated that the Company's share of equity financing to be advanced in 1981 and 1982 will be $135 million (U.S.). Through 1980 the Company had advanced a total of $15 million (Cdn) for its share of Northern Border expenditures.

The first phase of the Northern Border Project is expected to be completed by September 1, 1982, and deliveries will commence into the pipeline facilities at the rate of 10 billion cubic metres of Canadian gas per year. Upon arrival of natural gas from Alaska, Northern Border will transport the Alaskan natural gas to markets in the midwestern and eastern United States. In certain circumstances, Canadian gas destined for eastern Canadian markets may also be transported through the Northern Border line.

The construction and financing of the Northern Border Project was made possible by the leading role taken by TransCanada PipeLines and Canadian bankers in providing the necessary guarantees and financing for the project. The project itself will provide a major export market for Canada's growing surplus of natural gas at a time when such markets are crucial to further exploration and development. This achievement was undoubtedly one of the most important developments in 1980.

TRANSCANADA PIPELINE ALASKA LTD.

In August, 1980 TransCanada PipeLines joined the partnership which will be building the Alaskan segment of the Alaska Highway Natural Gas Pipeline Project. TransCanada PipeLine Alaska Ltd., a wholly-owned subsidiary of the Company, will ultimately acquire about a 7% interest in the Alaska Natural Gas Transportation System. This would require TransCanada to make an equity contribution of approximately $190 million (Cdn) over a five-year period. The Alaska Natural Gas Transportation System extends 1 199 kilometres from Prudhoe Bay to Beaver Creek on the Alaskan-Yukon border. The estimated total cost of the Alaskan segment is approximately $10.5 billion (U.S.) in 1980 dollars.

OIL AND GAS DIVISION

The Oil and Gas Division operating through TCPL Resource Ltd., a wholly-owned subsidiary, supervises the Company's participation in oil and gas exploration in both Canada and the United States.

Top left: inspector supervising tape repairs. Top right: directing an operation. Above left: operating a boring machine for a pipeline crossing. Above right: welding operation.

At left: pulling pipe on a drilling rig in the Deep Basin area, west central Alberta.

Canadian Activities

During its first full year of operation, TCPL Resources Ltd. (Resources) a wholly owned subsidiary of the Company had sales revenues of $15,510,000. Total oil and gas production in 1980 was 168 424 000 cubic metres of gas and 296,030 barrels of oil. Reserves of oil and gas more than doubled during 1980 as a result of participation in the active and successful exploration and development program carried on by Dome Petroleum Limited (Dome), and new acquisitions. At the end of the year Resources had established a major interest in oil and gas properties, and ranked twentieth among the land holders in western Canada. The total investment in land, exploration and development by Resources was $555,037,000 at December 31, 1980.

Resources land acquisitions during the year stem from rights under a Partnership Agreement with Maligne Resources Limited (Maligne), a wholly-owned subsidiary of Dow Chemical of Canada, Limited, and a Participation Agreement with Dome under which the partners have the right to participate to the extent of 12½ percent each in Dome's onshore resource acquisitions and exploration and development activities in all of the western Canada sedimentary basin.

In 1980 Dome purchased all of the shares of Kaiser Petroleum Ltd. Subsequently Resources acquired directly from Dome a 12½ percent interest in the assets of Kaiser Petroleum Ltd. for a total purchase price of $125,532,000. Following the acquisition Resources contributed its share of the Kaiser assets to the Partnership and a similar share was transferred by Maligne.

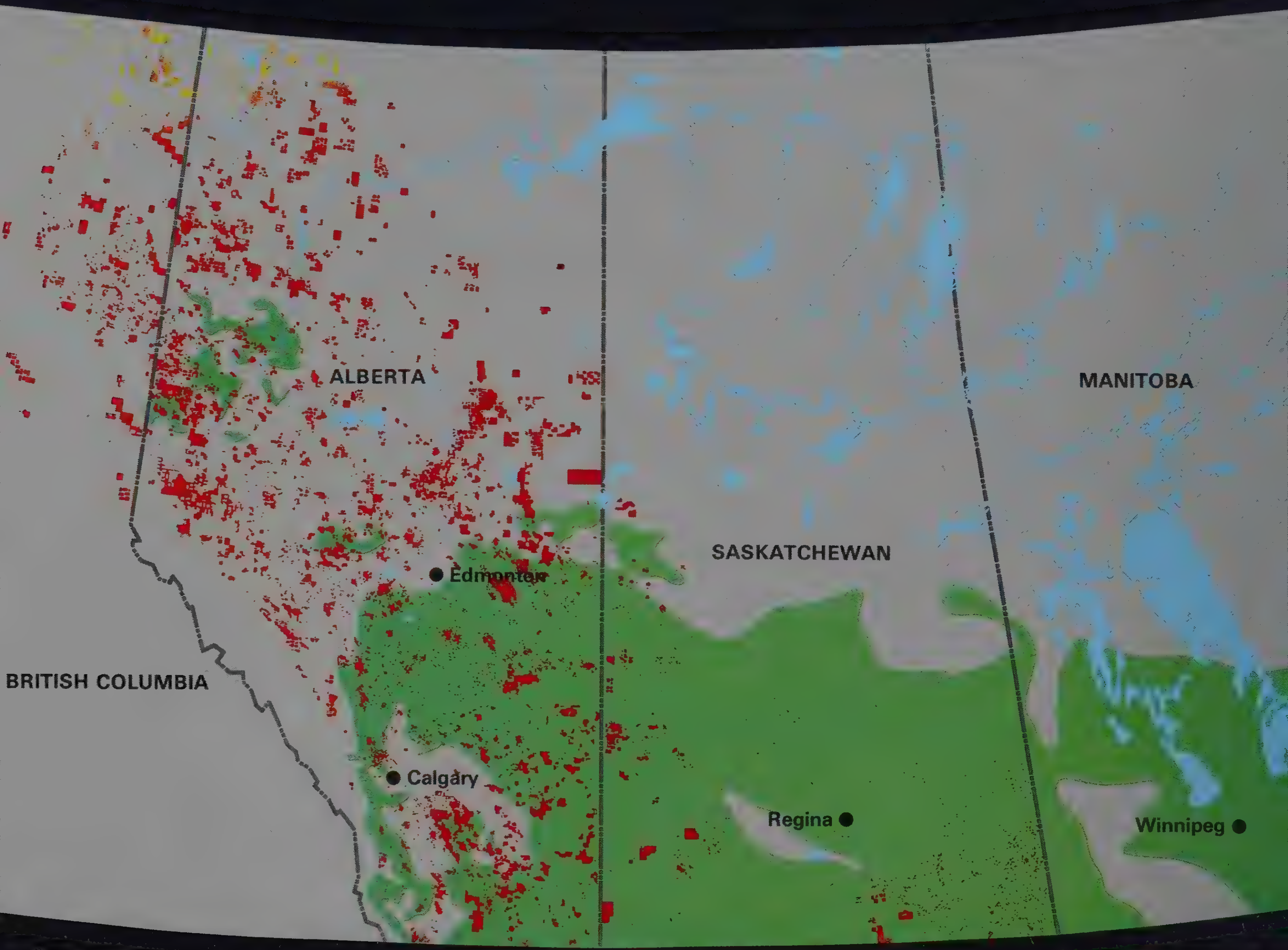
During 1980 Resources achieved a much better balance in its oil and gas reserves. At the beginning of 1980 its oil reserves were estimated at 5.0 million barrels, and gas reserves at 7 080 million cubic metres. The total reserves expressed in barrels of oil equivalent were 48.0 million barrels. At the beginning of 1981, estimated oil reserves had reached 31.6 million barrels, and gas reserves had reached 13 140 million cubic metres. Expressed in equivalent barrels of oil the total reserves were estimated at 111.6 million barrels, an increase of 133 percent during the year. By the end of the year Resources land holdings had increased substantially and interests were held in 23.8 million gross acres amounting to 1.1 million net working interest acres and about 475 thousand net mineral title acres. In addition, royalty interests were held in approximately 2.4 million acres.

In 1981 production from the Kaiser oil and gas properties will substantially increase total oil and gas production.

U.S. Activities

In August, 1980 the Company, through its wholly-owned subsidiary TCPL Resources U.S.A. Ltd. (Resources U.S.A.), entered into a joint venture agreement with Dome Petroleum Corp. (Dome Corp.) whereby Resources U.S.A. purchased, at fair market value, a 17⅓ percent undivided interest in Dome Corp.'s non-producing oil and gas properties. Eventually the participating interest of Resources U.S.A. in future acquisitions will increase to 20%.

As at December 31, 1980 Resources U.S.A. had a 17⅓% interest in 1.1 million acres located in 18 States. The investment by Resources U.S.A. in land, exploration and development at December 31, 1980 was $16,043,000.



TCPL Resources Ltd.

Working interest acreage

General area of mineral title lands

Operator making a quality control test of a product at a natural gas liquids extraction plant, Empress, Alberta.

CORPORATE

EMPLOYEES

The average number of employees of TransCanada PipeLines during 1980 was 1,742. In addition, the Company employed during the summer 564 temporary employees, of whom about 400 were students. A total of 505 Company employees took general education, administrative, technical and specialized courses during 1980, either assisted or sponsored by the Company. All Company employees are eligible to become shareholders of the Company through the Employees' Stock Savings Plan established in 1979. The Employees' Stock Savings Plan had purchased a total of 152,500 common shares at the end of 1980.

SHAREHOLDERS

Dome Petroleum Limited of Calgary, Alberta, was the Company's largest shareholder in 1980, holding 47% of the Company's outstanding common shares. During the year the number of common shareholders of the Company rose from 26,058 at the end of December, 1979 to 26,187 at the end of December, 1980. Shareholders resident in Canada held 98.16% of the Company's outstanding shares at December 31, 1980.

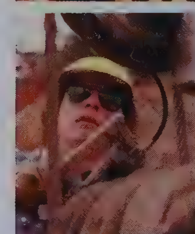
During 1980 the market price per common share varied from a low of $20.50 to a high of $27.50. During 1979 the market price per common share varied from a low of $17.375 to a high of $28.00.

TransCanada's common shares are listed for trading on the Vancouver, Calgary, Winnipeg, Toronto and Montreal Stock Exchanges.

GEOGRAPHICAL SHARE DISTRIBUTION
as of December 31, 1980

	Number of Shareholders	Number of Shares
Newfoundland	49	28,881
Nova Scotia	729	462,729
Prince Edward Island	96	28,729
New Brunswick	395	130,930
Quebec	2,918	4,605,539
Ontario	11,275	12,495,672
Manitoba	1,138	1,999,768
Saskatchewan	672	184,070
Alberta	2,688	21,830,084
British Columbia	3,809	1,391,151
Northwest Territories	5	2,175
Yukon Territories	5	210
Total Canadian	23,779	43,159,938
U.S.A.	2,206	689,730
Other Countries	202	119,309
Total Non-resident	2,408	809,039
Overall Total	26,187	43,968,977



Top: 'lowering-in' inspector on the job. Second: smoothing the surface of a weld on casing. Third: servicing the internal line-up clamp. Above: operating a side boom.

At right: environmental technicians take water samples to ensure environmental protection.

FINANCE AND TREASURY

The Finance and Treasury group of TransCanada PipeLines is located in Toronto. Its primary responsibility is to arrange for the sale of securities when required to provide investment funds and to provide all banking, securities administration and investor relations services to the Company.

FINANCIAL COMMENTARY

Effective September 1, 1980, the National Energy Board authorized an increase in the Company's overall rate of return on utility rate base from 10.9% to 11.1%. During 1980 the Company rate of return on utility rate base was 10.87%.

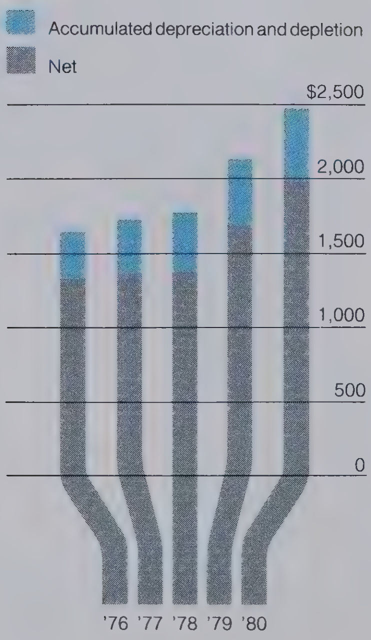
As a result of this rate increase, net operating income for the Pipeline Division increased by $4.7 million to $237.4 million in 1980. In addition the oil and gas operations contributed $5.5 million to the improvement of net operating income for the year.

During 1980, the Company raised significant amounts of capital to meets its financial requirements.

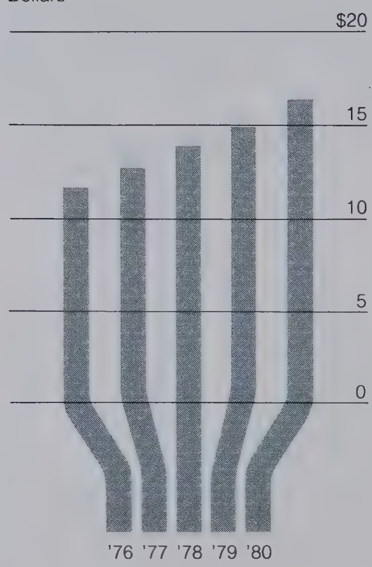
The Company issued 3.2 million common shares and 100,000,000 Swiss Franc Notes in May and June 1980 respectively. The proceeds of these two issues were approximately $137 million (Cdn) and were used to help finance additional investments in oil and gas properties.

On December 30, 1980 the Company paid $480 million for gas, delivery of which was not taken during the contract year ended October 31, 1980. Payment for this gas was financed in 1980 by way of Term Bank Loans and by the issue of two series of Retractable Preferred Shares. At December 31, 1980 payments on

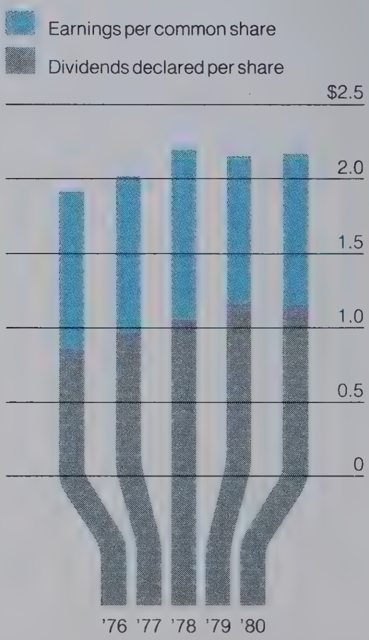
Plant, property and equipment growth
Millions of dollars



Common shareholders' equity per share at year end
Dollars



Earnings per common share
Dollars



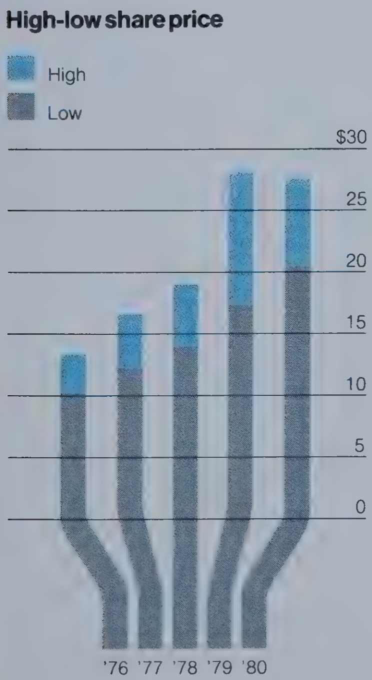
future gas supply aggregated approximately $832 million. Financing costs are recoverable from the Alberta cost of service.

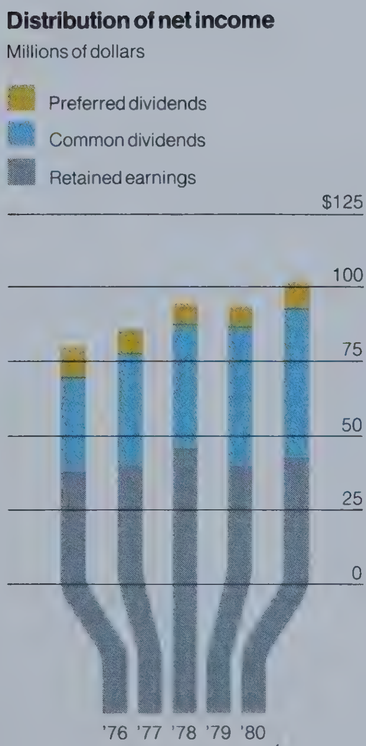
As a result of its operations and financing activities, the year end consolidated capitalization structure was 65.7% debt, 8.8% preferred equity and 25.5% common equity.

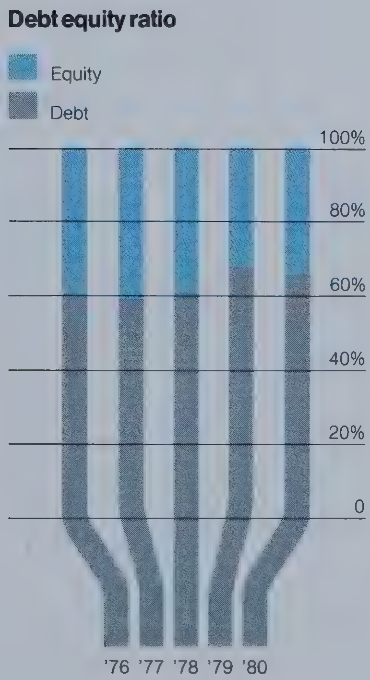
As the largest sponsor of the partnership formed to construct the $1.5 billion U.S. Northern Border Project (page 19), the Company was instrumental in arranging the financing for the pipeline. In December 1980 the partnership signed a $1.055 billion U.S. loan agreement with a consortium of Canadian and United States banks. The remaining capital requirements will be provided by equity contributions from the sponsors with TransCanada's share approximating $135 million U.S. during the next two years.

The Company is contemplating significant capital investments in 1981. Pipeline expenditures in Canada including TransCanada's share of the Trans Quebec & Maritimes facilities are estimated to be in excess of $550 million and are subject to regulatory approval. Advances to United States pipeline projects are estimated to be in excess of $170 million and in addition the Company will be making significant investments in oil and gas properties.

In January, 1981 the Company sold a public issue of 100,000,000 Swiss Franc Notes (about $65,000,000 in Canadian funds) to finance oil and gas investments. In early February, 1981 the Company sold by private placement a further 50,000,000 Swiss Franc Notes (about $31,000,000 in Canadian funds). The Company also sold notes in the amount of $75,000,000 to a group of Canadian trust companies for pipe line expansion purposes. In mid-February the Company filed a preliminary prospectus for the sale of a new series of Retractable Preferred Shares in connection with payments on future gas supply. In February, 1981 the Company commenced negotiations for the sale of a large private placement of First Mortgage Pipe Line Bonds in the United States. The remaining 1981 capital requirements will be financed with various types of securities.







TRANSCANADA PIPELINES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1980 (with comparative figures for 1979)

	1980	1979
	($000)	($000)
Operating Revenues		
Gas sales	3,087,044	2,555,083
Gas transportation and other	56,338	25,889
	3,143,382	2,580,972
Operating Expenses		
Cost of gas sold, gathering charges and acquisition costs	2,499,992	2,009,992
Transmission by other companies	147,209	122,585
Operation and maintenance	90,654	74,714
Compressor fuel	84,971	73,471
Depreciation and depletion	61,432	53,328
Taxes — other than income	16,249	14,220
	2,900,507	2,348,310
Net operating income	242,875	232,662
Other Income		
Allowance for funds used during construction	3,040	1,402
Equity in net income of Great Lakes Gas Transmission Company	8,919	10,350
Other (net)	3,932	1,821
	15,891	13,573
Financial Charges		
Interest on long-term debt (net)	71,742	67,785
Other interest and finance costs (net)	2,310	2,690
	74,052	70,475
Income before income taxes	184,714	175,760
Income Taxes		
Current	—	25,888
Deferred	82,254	55,862
	82,254	81,750
Net Income for the Year	102,460	94,010
Net Income per Common Share		
Basic	$ 2.18	$ 2.16
Fully diluted	$ 2.18	$ 2.14

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Pipeline welders complete final weld pass prior to wrapping and lowering in.

TRANSCANADA PIPELINES AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1980 (with comparative figures at December 31, 1979)

Assets	1980	1979
	($000)	($000)
Current		
Cash and temporary cash investments	4,942	13,683
Accounts receivable	377,390	300,079
Inventories — at cost		
Materials and supplies	18,411	16,282
Line pack and gas stored underground	82,060	69,544
Prepayments and deposits	2,091	780
	484,894	400,368
Payments on Future Gas Supply (Note 1)	832,065	366,279
Investment in Great Lakes Gas Transmission Company	49,348	46,819
Plant, Property and Equipment — at cost		
Gas transmission plant	1,929,187	1,811,490
Less accumulated depreciation	490,269	444,627
	1,438,918	1,366,863
Oil and gas properties (Note 2)	555,037	317,040
Less accumulated depreciation and depletion	7,022	603
	548,015	316,437
	1,986,933	1,683,300
Deferred Charges (Note 3)	45,979	42,005
	3,399,219	2,538,771

On behalf of the Board:

J. M. Beddome, Director

R. R. Latimer, Director

Liabilities and Shareholders' Equity	1980	1979
	($000)	($000)
Current		
Notes payable to banks	**95,000**	31,000
Accounts payable	**387,231**	275,500
Interest accrued	**28,193**	21,172
Dividends payable	**16,446**	13,463
Long-term debt due within one year	**57,768**	59,126
	584,638	400,261
Long-Term Debt (per Schedule and Note 4)	**1,706,772**	1,384,731
Deferred Income Taxes	**141,046**	58,962
Shareholders' Equity		
Capital Stock (Note 5)	**339,322**	107,717
Contributed surplus	**273,771**	276,143
Retained earnings	**353,670**	310,957
	966,763	694,817
	3,399,219	2,538,771

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED STATEMENTS

Year ended December 31, 1980 (with comparative figures for 1979)

Contributed Surplus	**1980**	1979
	($000)	($000)
Balance at beginning of year	**276,143**	271,714
Premium on common shares issued	**—**	4,240
Credit resulting on redemption of preferred shares	**426**	189
	276,569	276,143
Common share expense written off	**2,798**	—
Balance at end of year	**273,771**	276,143

Retained Earnings	**1980**	1979
	($000)	($000)
Balance at beginning of year	**310,957**	270,650
Net income for the year	**102,460**	94,010
	413,417	364,660
Dividends declared		
Preferred	**9,762**	6,813
Common	**49,985**	46,890
	59,747	53,703
Balance at end of year	**353,670**	310,957

Changes in Financial Position	**1980**	1979
	($000)	($000)
Source of Funds		
Funds provided from operations	**255,536**	204,843
Disposal of gas transmission plant	**1,357**	888
Net proceeds from issue of securities		
Long-term debt	**674,000**	562,500
Preferred shares	**156,170**	—
Common shares	**69,952**	4,606
	1,157,015	772,837
Use of Funds		
Payments on future gas supply (net)	**465,786**	212,426
Additions to gas transmission plant	**128,291**	56,577
Additions to oil and gas properties	**237,997**	317,040
Reduction of long-term debt	**351,917**	95,878
Purchase and cancellation of first preferred shares	**720**	635
Dividends on preferred and common shares	**59,747**	53,703
Other (net)	**12,408**	13,076
Increase (decrease) in working capital	**(99,851)**	23,502
	1,157,015	772,837

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED SCHEDULE OF LONG-TERM DEBT

December 31, 1980 (with comparative figures for 1979)

	1980	1979
	($000)	($000)
First Mortgage PipeLine Bonds		
Due 1983		
6¼% U.S. series — U.S. $14,876,000	**16,635**	22,112
6¾% Canadian series	**7,157**	9,668
Due 1985		
5⅝% U.S. series — U.S. $10,888,000	**12,004**	14,364
Due 1987		
7⅛% U.S. series — U.S. $49,440,000	**54,064**	61,128
Due 1992		
9¼% Canadian series A	**65,500**	71,750
9¼% Canadian series B	**27,680**	29,920
Due 1993		
8⅞% Canadian series A	**45,815**	49,558
8⅞% Canadian series B	**7,200**	7,760
	236,055	266,260
Sinking Fund Debentures		
Due 1990		
10% series A	**37,400**	40,170
9¾% series B	**45,972**	48,073
Due 1991		
9% series C	**38,510**	40,538
Due 1992		
8⅞% series D	**80,800**	83,178
Due 1993		
9% series E	**82,785**	86,140
Due 1995		
11½% series F (Sinking fund commences in 1981)	**47,246**	49,250
Due 1997		
9.60% series G (Sinking fund commences in 1983)	**69,750**	71,465
	402,463	418,814
Bank notes — Due 1986 — 5¾% — Swiss Francs 100,000,000	**67,349**	—
Term Bank Loans		
Due 1980-1985	**1,014,200**	712,500
Subordinated Debentures		
Due 1987		
5.60% U.S. series — U.S. $12,196,000	**12,196**	12,455
5.85% Canadian series	**32,277**	33,828
	44,473	46,283
	1,764,540	1,443,857
Less — Long-Term Debt due within one year	**57,768**	59,126
	1,706,772	1,384,731

See Note 4 to consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

December 31, 1980

The Company owns a natural gas transmission system extending from Alberta to Quebec and purchases, transports and sells natural gas to customers in Canada and the United States. The Company shares equally with American Natural Resources Company in the ownership of Great Lakes Gas Transmission Company ("Great Lakes"), a United States corporation. Great Lakes transports a substantial volume of gas for the Company through the United States and purchases natural gas from the Company for sale to customers in the United States. The Company is also involved in oil and gas exploration and production and is participating in several proposed pipeline projects.

The consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada, which have been consistently applied. The significant accounting policies are summarized below:

Principles of consolidation — The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Active subsidiary companies which have a significant effect on net income are fully consolidated. The operations of the active companies which do not have a significant effect on net income are included in the consolidated statement of income under the caption "Other Income — Other".

The Company uses the equity method of accounting for its investment in Great Lakes and has provided for appropriate withholding taxes on its share of the earnings of Great Lakes.

Regulation — Matters such as rates, construction, operations and accounting in connection with the Company's natural gas transmission system are subject to the jurisdiction of certain regulatory bodies. Utility rates are determined by the National Energy Board ("NEB") on a net plant rate base, rate of return and cost of service basis.

Translation of foreign currency — The Company's foreign currency transactions related to its Canadian utility operations have been translated to their Canadian equivalent using year end rates for current assets and liabilities and the greater of par or the rate in effect on dates of issue for long-term debt due after one year. Foreign exchange gains and losses on utility related long-term debt are recovered through the rate making process. These accounting practices are prescribed by the NEB for the Company's regulated utility operations.

For translation of foreign currencies for all other operations of the Company, current assets, current liabilities and long-term monetary assets and liabilities are translated at the rates in effect at the balance sheet date. Other assets and other liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average exchange rates in effect during the year except depletion, depreciation and amortization charges which are translated at the historic rates used for the related assets. Currency gains and losses are included in the net income of the current year except for unrealized exchange gains and losses related to the translation of long-term monetary assets and liabilities which are amortized over the remaining lives of such assets or liabilities.

Plant, property and equipment — The Company's provision for depreciation expense for its gas transmission system is calculated on a straight-line basis using rates reflecting the economic and physical life of the assets in service. These rates are approved by the NEB in accordance with its policy of permitting the recovery of undepreciated plant costs over the estimated remaining service life of the assets as determined from time to time. Depreciation is calculated using rates of 2¾% for pipeline, 3½% for compressor stations and other transmission plant and at various rates for general plant equipment.

An allowance for funds used during construction is capitalized and included in plant, property and equipment. The rate employed in calculating this allowance is adjusted from time to time to reflect the estimated cost of capital employed in financing gas plant under construction.

The Company follows the full-cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas and related reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expense, interest and other carrying charges of non-producing property, and costs of drilling both productive and non-productive wells. The provisions for depletion and depreciation are computed on the composite unit-of-production method based on estimated proven reserves of oil and gas. Costs in certain undeveloped properties are excluded from the depletion calculation until the properties have been evaluated. In the calculation, natural gas reserves and production are converted to equivalent barrels of crude oil based on the relative net sales value of each product.

Deferred charges — Deferred charges totalling $45,979,000 at December 31, 1980 include $16,196,000 of costs which will be amortized and recovered in rates in accordance with the current ratemaking process.

Income taxes — The Company follows the deferral method of tax allocation accounting under which the income tax provision is based on earnings reported in the accounts. Under this method, the Company makes full provision for income taxes deferred as a result of claiming certain deductions for income tax purposes in excess of amounts charged to income for accounting purposes.

The appropriateness of this method for the Company's current utility operations was recognized by the NEB, effective August 1, 1978 when it directed the Company, for ratemaking and accounting purposes, to follow the tax allocation method of recording income taxes and this was reconfirmed in the Company's most recent rate case decision.

Prior to August 1, 1978, the Company followed the taxes payable method of recording income taxes for both ratemaking and accounting purposes and, as allowed by the relevant income tax provisions and regulations, certain deductions were claimed for income tax purposes in excess of the amounts charged to income for accounting purposes. By following this practice the Company has not recorded in its accounts nor recovered in its rates any provision for income taxes prior to August 1, 1978. If the relevant income tax provisions and regulations had not permitted such deductions, income taxes would have been payable to an accumulated amount of $263,800,000 at July 31, 1978.

In prescribing the tax allocation basis for utility income earned subsequent to August 1, 1978, the NEB also recognized the potential future liability of the Company with respect to taxes deferred in the past. In its decision dated July 1978, the NEB noted that either the Company would need to revert to the taxes payable method of accounting when taxes payable exceed the tax allocation provision, or the unrecorded deferred tax liability would have to be amortized to cost of service starting at some point in the future. Because of this decision and since there is reasonable expectation that all such deferred taxes will be recovered in rates in the future, the Company has not recorded in its accounts any liability relating to taxes deferred prior to August 1, 1978.

Net income per common share — Net income per common share is calculated using the weighted average number of common shares outstanding during the respective fiscal years after provision for dividends on preferred shares. The calculation of net income per common share on a fully diluted basis assumes conversion of all securities and exercise of all rights which in 1980 had no dilutive effect on earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980

1. Payments on Future Gas Supply

The Company purchases gas from approximately 600 producers under a total of about 2,300 gas purchase contracts. Substantially all of these contracts have provisions requiring payments by the Company when it is unable to nominate specified minimum quantities of gas for delivery and as the contracted supply has exceeded the available market in recent years, payments have been required. For the three contract years ended October 31, 1980 the Company, with the producers' concurrence, implemented a program under which all producers were allocated an equitable share of TransCanada's available market.

In August, 1980 the Company submitted a proposal to its producers to extend the allocation program to cover the contract years ending October 31, 1981 and 1982. In October, 1980 the Company advised its producers that sufficient acceptances of the proposal had been received to implement the extended program. Such program provides for modifications to the existing allocation program and, in addition, provides for the deferral of 20% of the Company's annual purchase obligations under its gas purchase contracts for the two aforementioned contract years (the "deferred gas"). The extended program also provides that the Company will take delivery of deferred gas and gas paid for but not taken (the "take or pay gas") on an equal basis over a period currently extending for at least ten years. After giving effect to the extended program, the Company estimates that it will incur a total of 4.5 billion cubic metres (160 billion cubic feet) of take or pay gas in the aforementioned two contract years. The incurring of any volumes of take or pay gas after October 31, 1982 will depend on the attachment of new markets and the maintenance of existing markets. Based on the Company's current gas supply estimates and market forecasts, all take or pay gas and deferred gas will be taken.

The Company has paid $832,065,000 to December 31, 1980, including $480,000,000 in 1980, for take or pay gas, delivery of which has not been taken to October 31, 1980. The Company is entitled to take delivery of the take or pay gas (which aggregated 15.8 billion cubic metres (561 billion cubic feet) at December 31, 1980) during the aforementioned periods with an adjustment for the prices in effect when the gas is taken.

As approved by the Alberta Petroleum Marketing Commission, 1980 interest of $49,120,000 on term bank loans and dividends of $2,320,000 on preferred shares related to the financing of take or pay gas have been recovered in the Company's Alberta cost of service.

2. Oil and Gas Properties

In December 1979, the Company, through a wholly-owned subsidiary, TCPL Resources Ltd. ("Resources"), acquired a 50% undivided interest in the oil and gas properties of Maligne Resources Limited ("Maligne"), a wholly owned subsidiary of Dow Chemical of Canada, Limited. At the date of purchase by Resources, Maligne owned a 25% undivided interest in a portion of the onshore oil and gas properties of Dome Petroleum Limited ("Dome") under the terms of a 1974 agreement and had exercised, pursuant to that agreement, the right to participate in a like interest in other properties, subsequently acquired by Dome. The majority of the properties acquired are located in the Province of Alberta.

These properties and all other properties subsequently acquired by Resources were held at December 31, 1980 by a partnership of Resources and Maligne for joint administration and control. Each company has rights and obligations under a participation agreement dated December 1, 1979 with Dome which provides for, among other things, a 25% participation by the partnership in Dome's onshore property acquisitions in a defined area which encompasses primarily the four western provinces, the Yukon and Northwest Territories.

In 1980 the Company, through Resources, acquired from Dome for $125,532,000 a 12½% interest in the producing and non producing properties of Kaiser Petroleum Ltd., which were acquired by Dome earlier in the year.

Interest of approximately $37,000,000 related to financing of oil and gas properties has been capitalized during the year.

3. Deferred Charges

December 31	**1980**	1979
	($000)	($000)
Trans Quebec & Maritimes	**11,648**	5,135
Northern Border	**14,902**	4,969
Polar Gas	**3,073**	2,093
Unamortized Debt Discount and Expense	**8,792**	11,818
Other	**7,564**	17,990
	45,979	42,005

Trans Quebec & Maritimes

The Company and Q & M Pipe Lines Ltd., a subsidiary of NOVA, AN ALBERTA CORPORATION ("Nova"), have reached agreement in principle to proceed cooperatively with expansion of gas transmission facilities to serve new areas of Quebec, New Brunswick and Nova Scotia. The majority of the costs deferred to date represents prehearing costs.

Northern Border

Costs deferred represent TransCanada Border's proportionate share of expenditures to date. Reference should be made to Note 8 for further information.

Polar Gas

The Company is the Manager of the Polar Gas Project and is participating in research, engineering and planning studies for the transmission of natural gas from the Canadian Arctic through a large diameter natural gas pipeline. Costs not subject to amortization aggregate $3,073,000 at December 31, 1980.

Unamortized Debt Discount and Expense

Costs are amortized by charges to expense over the remaining life of the respective issues or as debt is retired.

4. Long-Term Debt

The Deed of Trust and Mortgage securing the first mortgage pipeline bonds provides for a first charge upon all the real and immovable property and rights of the Company and a first floating charge on all the remaining assets. It also provides for increased sinking fund payments if a Certificate of Gas Supply indicates exhaustion of gas supply earlier than specified dates. As required, gas purchase, sales, transportation and gas products sales contracts of the Company and the contracts with Nova and Great Lakes are mortgaged and pledged under the Deed of Trust and Mortgage.

Under the provisions of the Indenture relating to the sinking fund debentures the Company will apply, subject to certain conditions, an annual amount equal to 2% of the original principal amount, separately for each issue, for the purchase in the market of the debentures in each of the five years immediately preceding the establishment of the respective sinking funds. Pursuant to this requirement debentures are being purchased to the extent that they are available at prices, including cost of purchase, that do not exceed the principal amount plus accrued interest to the date of purchase. The purchased debentures are delivered to the Trustee for cancellation.

Term bank loans and Swiss Franc Notes rank equally with the Sinking Fund Debentures and constitute prior indebtedness under the provisions of the Subordinated Debenture Indenture. The Company may prepay at any time any portion of the term bank loans without bonus or penalty. The term bank loans currently bear interest at rates which do not exceed Canadian bank prime. In addition to purchase fund requirements, mandatory retirements of long-term debt as a result of maturities and sinking fund obligations approximate $62,666,000 for 1982, $77,924,000 for 1983, $472,871,000 for 1984 and $591,350,000 for 1985.

Based on the rate of exchange prevailing at December 31, 1980, $154,362,000 would be required to discharge the long-term portion of the foreign currency debt outstanding at December 31, 1980. Such long-term debt (excluding current maturities) is included in the Consolidated Schedule of Long-Term Debt in the amount of $144,922,000 at December 31, 1980.

5. Capital Stock

On April 18, 1980 the Company's certificate of incorporation was restated to provide for an unlimited number of authorized first preferred shares, second preferred shares, and common shares.

By a Certificate of Amendment of Articles dated September 10, 1980 the Company designated 2,000,000 Cumulative Redeemable First Preferred Shares as Cumulative Redeemable Retractable First Preferred Shares Series C. In September and October 1980 the Company sold a total of 1,000,000 of such shares by way of private placements.

By a Certificate of Amendment of Articles dated November 3, 1980 the Company designated 2,200,000 Cumulative Redeemable First Preferred Shares as Cumulative Redeemable Retractable First Preferred Shares Series D. On November 25, 1980 the Company sold 2,200,000 of such shares by way of public offering.

The details of capital stock are set out below:

December 31	1980	1979
	($000)	($000)
Preferred shares without par value		
First preferred shares		
Authorized — unlimited		
Outstanding		
— $2.80 cumulative redeemable shares 1980 — 722,411 (1979 — 744,901)	**36,120**	37,245
— $4.50 cumulative redeemable retractable shares — series B 1980 — 999,600 (1979 — 1,000,000)	**49,980**	50,000
— $4.25 cumulative redeemable retractable shares — series C 1980 — 1,000,000 (1979 — Nil)	**50,000**	—
— $5.00 cumulative redeemable retractable shares — series D 1980 — 2,200,000 (1979 — Nil)	**110,000**	—
Second preferred shares		
Authorized — unlimited		
Outstanding		
— $2.65 cumulative redeemable convertible shares — series A 1980 — 51,038 (1979 — 67,212)	**2,552**	3,360
	248,652	90,605
Common shares without par value		
Authorized — unlimited		
Outstanding 1980 — 43,968,977 (1979 — 40,593,244)	**90,670**	17,112
	339,322	107,717

Changes in the number of shares outstanding during 1980 are set out in the table below:

		First Preferred Shares				Second Preferred Shares
	Common Shares	$2.80 Series	$4.50 Series B	$4.25 Series C	$5.00 Series D	$2.65 Series A
Outstanding — January 1, 1980	40,593,244	744,901	1,000,000	—	—	67,212
Issued for cash	3,322,375	—	—	1,000,000	2,200,000	
Purchased for cancellation and conversion of preferred shares	53,358	(22,490)	(400)	—	—	(16,174)
Outstanding — December 31, 1980	43,968,977	722,411	999,600	1,000,000	2,200,000	51,038

In May 1980 3,200,000 common shares were issued for cash by way of public issue and private placement. In addition 122,375 common shares were issued under the Company's stock purchase plans.

At December 31, 1980 75,878 common shares were reserved for issuance upon exercise of options granted or which may be granted under the terms and conditions of the Company's stock purchase plans. The Company made interest free loans during 1979 and 1980 to enable certain officers, some of whom are also directors, to purchase shares of the Company under certain of the stock purchase plans. At December 31, 1980 $4,584,000 was receivable by the Company under these plans. These loans are repayable over a maximum period of 10 years.

The Company is required to maintain purchase funds for the $2.80 first preferred shares and the $2.65 convertible second preferred shares. Subject to certain conditions, the purchase funds are replenished annually on February 1, to an amount equal to 2% of the aggregate stated capital amount of the shares outstanding on the previous December 31.

In the case of the $4.50 retractable first preferred shares, the Company is required on each February 1, from 1975 until 1984, to credit the lesser of $1,500,000 or the aggregate stated capital amount of the remaining shares then outstanding to a purchase fund for these shares.

A purchase fund will be established in 1986 for the $5.00 retractable first preferred shares pursuant to which the Company will on February 1 in each year commencing in 1986 credit to a purchase fund an amount equal to 3% of the aggregate stated capital amount of such shares outstanding on December 31, 1985.

These various puchase funds are applied, subject to certain conditions, to purchase those preferred shares for cancellation to the extent, if any, that such shares are available at a price not exceeding $50.00 per share plus costs of purchase. To date, preferred shares have been purchased and cancelled on account of the $2.80 first preferred shares, the $4.50 retractable first preferred shares and the $2.65 convertible second preferred shares.

The redemption features of the preferred shares, all of which are cumulative and redeemable, are as follows:

(a) $2.80 first preferred shares	—$50.50 per share.
(b) $4.50 retractable first preferred shares	—$54.50 per share commencing February 1, 1980 and reducing in progressive steps to $50.00 per share after January 31, 1985.
(c) $4.25 retractable first preferred shares	—$50.00 per share commencing September 15, 1982.
(d) $5.00 retractable first preferred shares	—$55.00 per share commencing November 1, 1983 and reducing in progressive steps to $50.00 per share after October 31, 1985.
(e) $2.65 convertible second preferred shares	—$52.50 per share to April 30, 1982 and reducing in progressive steps to $50.50 per share after April 30, 1988.

The $4.50 retractable first preferred shares also have a retractable feature which requires the Company, subject to certain conditions, to invite tenders once during each six month period ending January 31, 1980 and January 31, 1985 for the purchase of all such retractable shares at $50.00 per share plus accrued and unpaid dividends. Pursuant to this feature, on November 1, 1979, the Company invited tenders for the purchase of all the $4.50 retractable first preferred shares during the period to January 31, 1980. No shares were tendered during this period.

In addition, the $2.65 convertible second preferred shares are convertible until May 1, 1982 on the basis of 3.3 common shares for each $2.65 convertible second preferred share tendered. At December 31, 1980, 168,516 common shares were reserved for issuance upon conversion.

The $4.25 retractable first preferred shares have a retractable feature which requires the Company, subject to certain conditions, to invite tenders for the purchase of all of such shares on September 15 in each of the years 1981 and 1982 at $50.00 per share plus accrued and unpaid dividends. These shares also have a mandatory redemption feature which requires the Company, subject to certain restrictions to redeem, on a pro rata basis, 3% of the total number of shares outstanding on September 15, 1982 commencing on September 15, 1983 and on September 15 in each subsequent year.

The $5.00 retractable first preferred shares have a retractable feature which requires the Company, subject to certain conditions, to invite tenders for the purchase of all of such shares on November 1 in each of the years 1983 and 1985 at $50.00 per share plus accrued and unpaid dividends.

6. Restriction on Dividends

Declaration of dividends on both preferred and common shares is restricted under certain preferred share provisions and under several debt instruments. At December 31, 1980 under the most restrictive provisions, approximately $63,000,000 was available for the payment of dividends on common shares.

7. Pending Proceedings

Saskatchewan Power Corporation appealed to the Federal Court of Appeal the decision of the NEB dated November 26, 1976, setting rates to be charged by the Company for gas sold. In this appeal, Saskatchewan Power Corporation brought into question the validity of certain provisions of the National Energy Board Act. If such provisions had been found to be invalid or more limited in scope than has been considered heretofore, the Company's rates, tolls and tariffs might have been regulated differently from the way in which they are at present.

Some of the matters at issue are the same as those raised by Saskatchewan Power Corporation in a previous appeal to the Supreme Court of Canada which was resolved in favour of the Company. Counsel to the Company is of the opinion that the National Energy Board Act is valid legislation and the NEB has properly exercised its jurisdiction in setting rates.

By a decision dated May 29, 1980, the Federal Court of Appeal dismissed the appeal of Saskatchewan Power Corporation. On October 20, 1980 Saskatchewan Power Corporation obtained leave to appeal to the Supreme Court of Canada from the decision of the Federal Court of Appeal. In the application for leave to appeal, Saskatchewan Power Corporation has, for the first time, raised the question of the constitutionality of the Petroleum Administration Act and Regulations passed thereunder.

On November 29, 1979, Saskatchewan Power Corporation and its subsidiary Many Islands Pipe Lines Limited commenced an action in the Saskatchewan Court of Queen's Bench to recover the sum of $50,236,000 alleged to be owed to them by the Company and stated to arise from overpayment of such sum during the period November 1, 1976 to September 30, 1979, Counsel to the Company is of the opinion that this action is related to the appeal to the Federal Court of Appeal referred to above, that some of the issues are identical, although involving different legislation, and that the Company has a good defence which should prevail in this action.

8. United States Pipeline Projects and Capital Expenditures

(a) United States Pipeline Projects

The Northern Border Project contemplates the construction of a natural gas pipeline designed initially to transport natural gas produced in Alberta to the United States and ultimately to transport that portion of the natural gas throughput of the Alaska Highway Project destined for markets in the midwestern and eastern United States. The Company, through a wholly-owned subsidiary, has acquired a 30% interest in the first phase of the Northern Border Project. This first phase has an estimated cost of U.S. $1.5 billion. Construction of the Northern Border Project commenced in August 1980 and firm orders have been placed for U.S. $490,000,000 of high pressure pipe.

Pursuant to the agreement to acquire the interest in Norther Border, the Company has entered into a transportation service agreement for the delivery of sufficient quantities of Canadian gas to support the financing of the first phase. Under this agreement the Company has the right, subject to a prior right of other shippers to have Canadian or Alaska gas transported for sale in the United States, to have up to 8 billion cubic metres of gas transported for it, but will be required to pay minimum monthly fixed charges regardless of the actual volumes transported. In effect, when authorized exports terminate, this requirement could result in the Company being required to pay the cost of service charges. Under certain circumstances the Company could also be obligated to purchase the first phase at fair market value.

Financing, by way of loans of 70% of the estimated cost of the first phase, has been arranged with a syndicate of banks. In connection with such financing the Company has entered into collateral agreements under which it may be required to make available 1) its pro rata share of any construction cost overruns; 2) its pro rata share of working capital deficiencies if completion of the first phase is delayed; 3) on the happening of certain events, funds to purchase its pro rata share of the business and assets of Northern Border; 4) under certain circumstances, funds to meet a principal repayment schedule; and, 5) if the loans are not fully paid at maturity, funds sufficient to repay the outstanding balance of the loans.

The Company has joined the partnership to construct, own and operate the section of the Alaska Highway Project in the state of Alaska.

(b) Capital Expenditures

The Company is contemplating significant capital investments in 1981. Pipeline expenditures in Canada including TransCanada's share of the Trans Quebec & Maritimes facilities are estimated to be in excess of $550,000,000 but are subject to regulatory approval. Advances to United States pipeline projects are estimated to be in excess of $170,000,000 and in addition the Company will be making significant investments in oil and gas properties.

9. Related Party Transactions

The Company, with respect to its utility operations, sells gas to and incurs charges for gas transmission services for its affiliate Great Lakes Gas Transmission Company and has contracts for the purchase of gas and the extraction of gas by-products from its majority shareholder Dome. The utility operations of the Company come under the scrutiny of various regulatory authorities which establish, among other things, the terms and conditions with respect to the purchase, transportation and sale of gas under which the Company deals with outside parties including Great Lakes and Dome.

Dome also renders management services in connection with production of oil and gas, the consideration for which is not material. Certain oil and gas property transactions with Dome are described in Note 2.

10. Segmented Information ($000)

	Pipelines	Oil & Gas Operations	Consolidated
Operating Revenues			
—Domestic	1,859,949	15,510	1,875,459
—Export	1,267,923	—	1,267,923
	3,127,872	15,510	3,143,382
Segment Operating Income	237,357	5,518	242,875
Other Income and Deductions			
—Equity in net income of Great Lakes Gas Transmission Company			8,919
—Other income			6,972
—Financial Charges (net)			(74,052)
—Income Taxes—Current and deferred			(82,254)
Net Income			102,460
Identifiable Assets	2,766,818	583,053	3,349,871
Investment in Great Lakes Gas Transmission Company			49,348
Total Assets			3,399,219
Capital Expenditures	128,291	237,997	366,288
Depreciation and Depletion Expense	54,879	6,553	61,432

The Company's assets are principally located in Canada. The assets of TransCanada's 50% owned affiliated Great Lakes amounting to $391,486,000 (Cdn.) are located in the United States.

Reference should be made to the Summary of Significant Accounting Policies for information on the Company's operations.

AUDITORS' REPORT

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of TransCanada PipeLines Limited as at December 31, 1980 and the consolidated statements of income, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 21, 1981

Peat, Marwick, Mitchell & Co.
Chartered Accountants

SIX YEAR SUMMARY

	1980	1979	1978	1977	1976	1975
Income (in thousands of dollars)						
Operating Revenues						
Gas sales	**$3,087,044**	$2,555,083	$2,171,627	$1,851,644	$1,482,957	$ 901,167
Gas transportation and other	**56,338**	25,889	21,586	18,681	16,180	19,222
	3,143,382	2,580,972	2,193,213	1,870,325	1,499,137	920,389
Operating Expenses						
Cost of gas sold, gathering charges and acquisition costs	**2,499,992**	2,009,992	1,703,611	1,447,720	1,108,613	601,013
Transmission by other companies	**147,209**	122,585	113,228	96,181	95,987	78,066
Operation and maintenance	**90,654**	74,714	58,177	56,719	52,035	37,844
Compressor fuel	**84,971**	73,471	64,071	65,098	48,508	27,244
Depreciation	**61,432**	53,328	52,113	49,252	47,853	39,136
Taxes—other than income	**16,249**	14,220	13,373	12,594	11,209	9,236
	2,900,507	2,348,310	2,004,573	1,727,564	1,364,205	792,539
	242,875	232,662	188,640	142,761	134,932	127,850
Other Income						
Equity in net income of Great Lakes Gas Transmission Company	**8,919**	10,350	7,975	9,411	8,329	6,670
Other income (net)	**6,972**	3,223	2,750	6,520	6,604	2,211
	15,891	13,573	10,725	15,931	14,933	8,881
Financial Charges (net)	**74,052**	70,475	74,766	72,509	70,230	70,434
Income before income taxes	**184,714**	175,760	124,599	86,183	79,635	66,297
Income Taxes — Current and Deferred	**82,254**	81,750	29,500	—	—	—
Net Income for the Year	**102,460**	94,010	95,099	86,183	79,635	66,297
Provision for dividends on preferred shares	**9,025**	6,842	7,173	7,860	10,456	13,863
Net Income Applicable to Common Shares	**$ 93,435**	$ 87,168	$ 87,926	$ 78,323	$ 69,179	$ 52,434
Net Income per Average Common Share						
Basic	**$ 2.18**	$ 2.16	$ 2.20	$ 2.01	$ 1.92	$ 1.65
Fully diluted	**$ 2.18**	$ 2.14	$ 2.18	$ 1.95	$ 1.79	$ 1.45
Dividends declared, per common share	**$ 1.16**	$ 1.16	$ 1.06¼	$ 0.97	$ 0.85¾	$ 0.69
Dividend payout ratio, common shares	**% 53.21**	% 53.70	% 48.29	% 48.26	% 44.66	% 41.82
Funds provided from operations	**$ 255,536**	$ 204,843	$ 153,824	$ 141,893	$ 138,009	$ 109,344
—per average common share	**$ 5.98**	$ 5.07	$ 3.85	$ 3.64	$ 3.82	$ 3.44
Balance Sheet (in thousands of dollars)						
Plant, property and equipment—gross	**$2,484,224**	$2,128,530	$1,766,893	$1,720,910	$1,637,789	$1,588,754
—net	**1,986,933**	1,683,300	1,363,922	1,362,640	1,322,662	1,315,545
Annual additions (net)	**364,931**	372,729	52,197	88,075	53,747	38,435
Long-term debt	**1,706,772**	1,384,731	917,026	822,299	809,701	819,797
Shareholders' equity—total	**966,763**	694,817	650,540	605,623	567,971	535,762
—common	**718,111**	604,212	555,734	501,779	446,411	317,755
—per common share at year end	**16.33**	14.88	13.85	12.71	11.67	9.93
Statistics						
Kilometres of pipeline—including loopline	**9 429**	9 345	9 326	9 335	9 206	9 138
Compressor power—kilowatts	**795 100**	795 100	795 100	795 100	795 100	793 800
Gas delivered for sales and transportation (millions of cubic metres)						
—annual	**31 798**	33 852	32 808	33 153	31 953	31 176
—maximum day	**113**	110	108	108	106	97
Number of employees—average	**1,742**	1,685	1,631	1,590	1,541	1,460
Common shares outstanding—year end	**43,968,977**	40,593,244	40,111,044	39,487,613	38,248,159	32,005,509
—average	**42,762,762**	40,369,023	39,931,361	39,028,618	36,117,610	31,746,810
Number of shareholders, December 31	**26,187**	26,058	28,655	27,341	25,454	24,244

Note: The above SIX YEAR SUMMARY reflects a restatement of 1976 earnings increasing net income by $2,856,000.

Shareholders and others desiring information on TransCanada PipeLines may obtain a ten-year summary by requesting a copy of the booklet "Operating and Statistical Information 1971-1980" from Mr. H. N. Nichols, Vice President, Finance and Treasurer, TransCanada PipeLines, P.O. Box 54, Commerce Court West, Toronto, Ontario, M5L 1C2.

Pipe being lowered into the trench by side booms.

CORPORATE INFORMATION

Executive Office

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Toronto, Ontario, M5L 1C2
Telephone: (416) 869-2111

Registered Office

407 Eighth Avenue S.W., Calgary,
Alberta, T2P 2M7
Telephone: (403) 269-5611

Subsidiaries (Wholly-Owned)

TCPL Resources Ltd.
A company carrying on the business of oil and gas exploration.

TCPL Resources U.S.A. Ltd.
A Delaware company involved in oil and gas exploration.

TransCanada PipeLine Alaska Ltd.
A Nevada company participating in the Alaska Highway Gas Pipeline Project.

TransCanada Border PipeLine Ltd.
A Nevada company owning an interest in the Northern Border Project.

Affiliates (50% owned)

Great Lakes Gas Transmission Company
A Delaware company owning and operating a pipeline through the United States from Emerson, Manitoba to Sault Ste. Marie and Sarnia, Ontario.

Trans Québec & Maritimes Pipeline Inc.
A company proposing to build pipeline facilities in Quebec, New Brunswick and Nova Scotia.

Common Shares

Transfer Agents
Montreal Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver. Citibank, N.A., New York.

Registrars
National Trust Company,
Limited, Toronto,
The Canadian Bank of Commerce
Trust Company, New York.

Preferred Shares

$2.80 cumulative redeemable first preferred shares.

$4.50 cumulative redeemable retractable first preferred shares series B.

$4.25 cumulative redeemable retractable first preferred shares series C.

$5.00 cumulative redeemable retractable first preferred shares series D.

$2.65 cumulative redeemable convertible second preferred shares series A.

Transfer Agents and Registrars
$2.80 and $2.65 National Trust Company, Limited, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

$4.50 series B, $5.00 series D, Royal Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

Bonds

Trustee
National Trust Company, Limited, Toronto.

Registrar Canadian Series
6¾% first mortgage pipe line bonds, National Trust Company, Limited, Montreal and Toronto.

9¼% and 8⅞% first mortgage pipe line bonds, National Trust Company, Limited, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Registrar U.S. Series
5⅝%, 6¼% and 7⅛% first mortgage pipe line bonds, Morgan Guaranty Trust Company of New York.

Sinking Fund Debentures

Trustee
Crown Trust Company, Toronto.

Registrar
10% series A, 9¾% series B, 9% series C, 8⅞% series D, 9% series E, 11½% series F and 9.60% series G sinking fund debentures, Crown Trust Company, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Subordinated Debentures

Trustee
Montreal Trust Company, Toronto.

Registrar Canadian Series
5.85% subordinated debentures, Montreal Trust Company, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Registrar U.S. Series
5.60% subordinated debentures, Citibank, N.A., New York.

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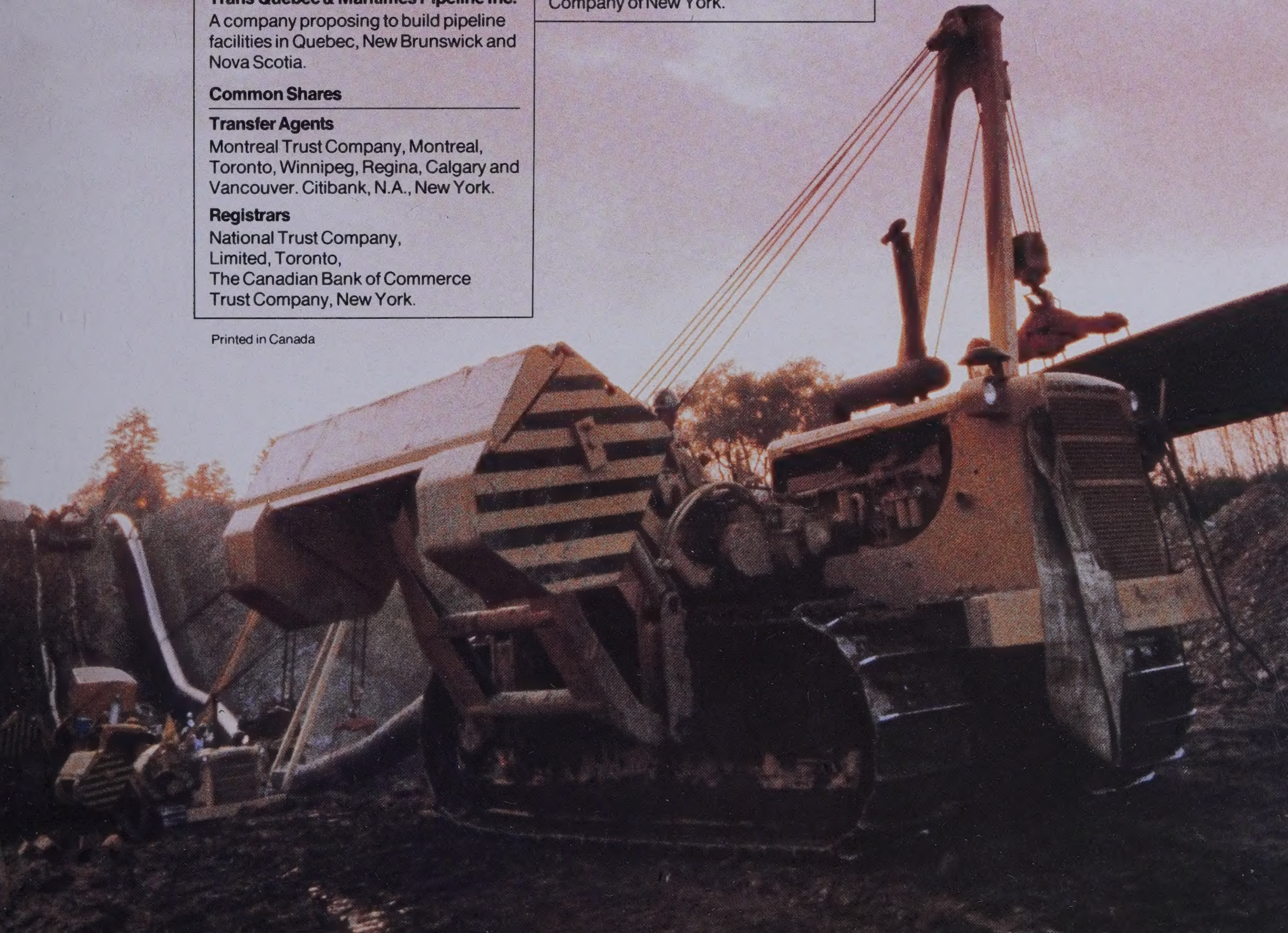

TransCanada PipeLines